

A USEFUL LOOK AHEAD FROM WASHINGTON

APRIL 1971

Nation's Business

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TROUBLES IN "UTOPIA"



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Nation's Business

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Cover photograph by Staffan Wennberg from Black Star

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MEMO FROM THE EDITOR

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D. C. 20006

If you've studied economics or been deeply concerned over racial problems, you've probably heard of Gunnar Myrdal.

He's a renowned Swedish economist who has spent a great deal of time in the United States and has written both economic texts and the well-known "An American Dilemma" dealing with our race problem.

So when Sweden's problems with its welfare state hit the headlines recently, we thought it would be interesting to you to get Prof. Myrdal's views.

Things are really in a mess over there. Government employees, naturally, are unionized in Sweden and many have been on strike. Even Army officers belong to unions, and at one point some military exercises had to be canceled because of fear there would be no one to command the troops.

From here, it seems an obvious example of the welfare state gone mad.

Prof. Myrdal, who has been quoted as saying just that, doesn't really put it so strongly. He's a dedicated socialist and a firm believer in the welfare state. But he was willing to talk with our foreign affairs specialist, Sterling G. Slappey, about the crises that Sweden is going through.

Mr. Slappey flew to Stockholm, arriving on a Wednesday afternoon, and interviewed Prof. Myrdal and others there on Thursday, Friday and Saturday. He was back in Washington on Monday writing to meet our deadline.

At the same time, our cover photo was flying the Atlantic, too. The building behind the professor houses the Institute of International Economic Studies in Stockholm, where he works.

We hope you'll read the full report on page 44 very carefully. Because it demonstrates so clearly what can happen to America if we choose to become a welfare state. And we're headed that way.

As the *Wall Street Journal* editorialized: "Those who advocate a full-blown welfare state for America should mark well the chaos such a state, with all its government 'planning', is capable of creating.

"True, the U. S. is still quite a way from Swedish-style welfarism. Yet we do have persistent inflation, our taxes are oppressive and only a naive person would suppose that the total tax burden will do anything but grow in the years ahead. And in the sense of our

monstrously swelling rolls of people on public relief, we are rapidly becoming something of a welfare state.

"For all its neatness, for all its seeming logic, the welfare state concept has always been a delusion. The human animal is not so simply motivated and manipulated. The imperfections of our individual-oriented society are manifest; they are preferable to the deadening—and finally divisive—sway of statism."

• • •

Some would have us follow that path in dealing with our nation's health care problems. There are proposals to have the federal government take over all of health care.

As we have reported, the Chamber of Commerce of the United States has been studying these problems both intensively and extensively. It has analyzed a number of constructive solutions and is now seeking the opinion of its members on policies.

Taking formal referenda like this is one of the ways in which the National Chamber arrives at its policies. Organization members—local and state chambers and trade associations—express the views of the more than five million individuals and companies they represent. The National Chamber in turn reflects these views to government.

• • •

"Executive Seminars in Sound," a new *Nation's Business* product, is announced on page 68 in this issue. The appeal of this recorded series was quietly tested in a mail campaign last fall and it proved to be high.

The series starts with "How to Get Your Ideas Across" and goes on to include recordings in seven more areas of management improvement which will be sent out at intervals of approximately six weeks.

The presentations, available on 12-inch records or cassettes, were adapted from *Nation's Business* management articles, dramatized and converted to the sound-action medium.

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Jack W. Waldridge

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FREE TRADE LETTERS IS CALLED EXPENSIVE

• "Free Trade Truths—and Myths" [February] seems to be a highly impractical utopian concept for a perfect world.

Unfortunately we do not live in a perfect world—rather in an imperfect one populated by human beings.

If this article is a sample of the advice the United States has been operating under for the past several years, it becomes clear why the favorable balance of payments from trade has dwindled almost to the vanishing point. It also offers at least a partial explanation for some of the current unemployment.

The people of the United States came from all over the world. Their productivity stems from the free atmosphere that once prevailed in this country which allowed man to use his initiative and imagination without limitations and to be rewarded for his efforts. This is why the people of the United States in 200 years have accomplished more than all the other people in the entire world have in 2,000 years.

Another of the reasons the United States is the world's largest and richest market is the comparatively higher wages paid its people.

A careful reading of this utopian article seems to indicate that the people of the United States should willingly and magnanimously sacrifice their honestly won and tremendous advantages so that other lands can exploit the U. S. market.

Why should our people be expected to lower their high standards won by their own efforts? Should not the way be found that would allow the people of the United States to keep what is rightfully theirs and let the rest of the world profit by the U. S. example and raise its own standards?

FRED A. GENTIEU JR.
Tulsa, Okla.

• Evidently, Howard S. Piquet, author of "Free Trade Truths—and

Myths," is not aware of the drastic changes which have taken place in the world's economy since the Depression, when our retreat from the Smoot-Hawley protectionist policy began.

In the 1920s and 1930s the United States, in spite of a higher standard of living than most industrial nations, could compete in world markets on manufactured goods because of superior technology, particularly in the field of automation. We no longer have that advantage.

The technology of industrial nations such as Germany and Japan is at least equal to and sometimes superior to that of our own. They have the equipment and very highly skilled people, and their advantage lies primarily in wages which are very much lower than those paid in the United States.

It is difficult to think of any manufactured article in which there is any significant labor content where the United States can compete. How, then, do we manage to enjoy a so-called trade surplus? It is primarily because we are exporting an enormous quantity of raw materials and agricultural goods.

I must take specific issue with statements such as: "We must avoid building protective fences around these weak industries and aggressively strive to open markets for lines of production in which we are strongest."

The steel industry and all of the steel fabricating industries can hardly be referred to as weak. However, in spite of the fact that we have the raw materials (iron, ore, coal, limestone, etc.), we simply cannot compete with Germany, Japan and other countries when they wish to sell in the U. S.

One could go on and on, listing various labor-intensive industries and seeing the same trend developing.

What about reducing wage costs? Do you know of any industry which has succeeded to any degree? In most



TAKE ME
TO YOUR
LEADER

Illustration: Barron Storey

If this is your idea of a robot, forget it!

Today you can purchase an industrial robot built to work 20 years. Tomorrow a computer may set production schedules and command an entire factory of robots.

What effect would increased automation and mechanization have on personnel? In corporate insurance and employee benefit plans? What new concepts might be needed in expanding payroll deduction programs, in areas of automobile insurance, home owner's insurance and mutual funds?

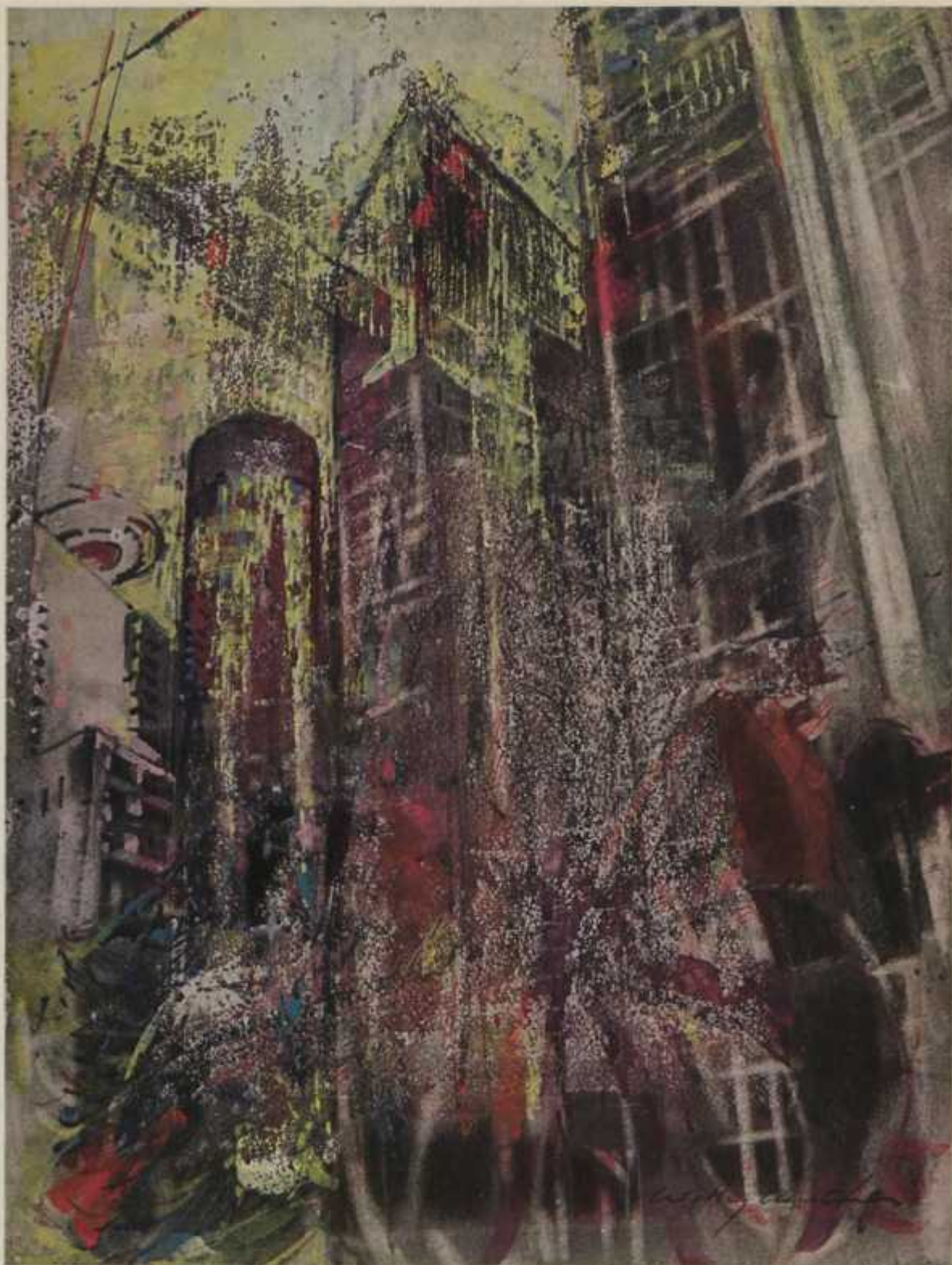
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cases—especially recently—wage costs have far outstripped productivity, with consequent inflation. This approach, although desirable, will not work.

Like most free trade writers, the author raises the specter of retaliation, overlooking the fact that most other nations now have much greater trade barriers than the United States, and it is we who would be retaliating and not vice versa.

I do not agree that import quotas, like tariffs, necessarily result in higher prices to consumers. Prices can be held down, and often are determined in domestic competition, by the lowest-priced seller. I agree, however, that tariffs yield revenue.

JAMES R. MCILROY
Pittsburgh, Pa.

Stans points the way

• "Where Will We Be 20 Years From Now?" [February] by Secretary of Commerce Maurice H. Stans really stirred me.

It was so particularly relevant to the business people in Florida that I plan to use it as the basis for an evaluation of the problems we face here in Boca Raton now and in the future. I believe we can build a better community if we face what the future is expected to bring in time to take control of the situation.

MRS. EVE S. MILLER
Treasurer
EMIS Industries, Inc.
Boca Raton, Fla.

Hard work and long life

• The reader survey and subsequent article on "The 10 Greatest Men of American Business" [March] were most interesting. However, the article overlooked what struck me as an outstanding common characteristic among these greats—their amazing longevity.

Their life spans ranged from a low of 65 (Disney) to a high of 98 (Rockefeller) with the average being 82.9 years! Interestingly, four of the 10 lived to be 84 (which turns out to be the median age of the group) in an era when, for example, the average life expectancy for men born in 1900 was only 46 years.

I suppose it is to be expected that a long life affords more opportunity

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LETTERS

continued

to make one's mark in history. But this is not necessarily true in other fields such as the arts, where famous musicians, authors and artists achieved lasting fame despite premature death.

Yet there is still a temptation to conclude that hard work and dedication in business can indeed coexist with a long and productive life.

RICHARD R. MYERS
Director, Market Research
Sta-Hite Industries, Inc.
Lisle, Ill.

Why not business strings?

• Guest Economist A. Gilbert Heebner's excellent article, "Holding Back the Cost Push" [February], brings to mind a curious weakness in one phase of industry's contribution to the national welfare.

Why has big business been so willing to underwrite higher educational costs in relatively limited scientific or technological areas while ignoring the broader aspects of private enterprise?

When government advances money to a learning institution, there always are strings tied to it, implied if not specific. Example: Specific racial integration standards which, if not met, mean stoppage of the money. (There have been and can be other "strings." I only use that one because it is readily recognizable.)

Why should not industry insist that institutions which are to receive generous portions of the stockholders' money make a credible effort to explain why that money is available? Why should not an institution of learning, at whatever level, be required to qualify for a handout from industry by setting up a mandatory course in the nitty gritty of American business economics?

Is industry really thinking big when it donates a physics laboratory, for example, without at least trying to avoid turning out physicists who will later use their fame to promote socialism and attack American enterprise?

GEORGE C. JORDAN
Alladena, Calif.

FAIR dealings

• Re "That Big Government Haystack" [February], I agree whole-

heartedly with Sen. William V. Roth's statement that "there is a need for permanent machinery to keep an up-to-date catalog of federal programs in language that can be readily understood."

Our company, CBM, spent nearly \$250,000 developing its FAIR (Federal Assistance Information Reporting) system on which you reported in your "Panorama" department [Business Bridges a Government Gap, October, 1970]. The effectiveness of our computerized system is confirmed by the fact that Sen. Roth (then a member of the House) used our file to prove his points in Congressional hearings.

It appears that President Nixon has made an excellent decision in setting up the Office of Management and Budget, because it has the theoretical ability to begin a cleanup of bureaucratic duplication, overlapping, etc. I strongly urge Sen. Roth and OMB to begin work immediately on creation of a FAIR system within the federal government, to be used both for control by OMB and for information by seekers of federal assistance.

HENRY R. HILLENMEYER
President
Computer & Business Management, Inc.
Cleveland, Ohio

• I will express a long-standing conviction: That people realize Congress has turned over its control of our government to bureaucrats and they, the people, don't like it.

I think this keeps sticking in the public craw because the people have to work with, or attempt to work with, edicts and forms by government bureaus. When they write their Congressman to help them, they realize what difficulty he has in dealing with the child of his own creation.

I believe many such delegations by Congress are illegal delegations of powers granted to it under our Constitution.

FRED H. KENFIELD
President
Pamfil Home, Inc.
St. Petersburg, Fla.

Sheepskins don't cover all

• Re the response [March] to the "Sound Off to the Editor" question, "Is College Education Being Oversold?" Frankly, I think it is being

oversold. Some of our best executives do not have a degree, including the president of our company—who became president at the tender age of 36!

The people I am talking about, at least in our own company, are people who are now in their 30s and 40s and who attended college in the quiet days before college unrest became fashionable.

I believe many of these people felt that college presented a phony and stultifying atmosphere, placing a premium on conformity. Many of them thought that the process they were going through was "buying" a college degree as opposed to getting an education—and there is a vast difference between these two, even today.

Certainly a college degree is a good index of how good a man is, all other things being equal.

Seldom, however, are all other things equal, and if you find a man who has been in college for a few years and has dropped out for reasons which he is able to articulate and which make a certain degree of sense, then my experience indicates you are likely to have located a potential star performer.

Often, these people will combine a high degree of intelligence with a certain freedom of thought—a quality seldom found among any group of people, even college graduates.

RICHARD S. HEMSTED
Vice President
American Health and Life Insurance Co.
Baltimore, Md.

• It seems that education, no matter what the termination point, should be directed toward an end. Those great men who have succeeded without much education have succeeded because they never stopped working and learning.

Who would tell a child who wants to be an engineer to quit at the tenth grade? On the other hand, we might ask, is a college degree enough for an engineer?

What's wrong with a high school dropout earning his way in this world as a dishwasher? Would a year of college harm a mechanic?

DELBERT E. REDINGTON
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3. Ice cooler assembly.
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Examples of these parts are as follows:

Cold control fan motor assembly, start relay, overload, hot or cold faucet, water regulating valve, bubbles valve body assembly and any other removable parts. A bubbles valve body assembly may NOT be returned to the factory for replacement under this warranty due to stoppage, limit up condition, or leaking due to improper adjustment. This warranty does NOT provide for any field labor to remove or install parts. This warranty does NOT apply to any part which has been subjected to accident, alteration, abuse or misuse, nor does it provide for service calls to make adjustments, remove water stoppages, drain, hot or cold models or other operation required by the water cooler. Parts not herein stated.

This Five Year Warranty includes freight or postage (one expense) within the continental limits of the United States of America and Canada and is in lieu of all other warranties and obligations.

OASIS



CLEAN COVERALL

.00

39 4031	LOCKLEAR & SON SHELL	7 MILE-JOHN R	HAZE
39 4031	BOB L	22 2.50	2 15 WH NR 101
39 4031	BOB M	55 5.30	5 15 WH NR 101
39 4031	JIM C	22 2.50	2 14 WH NR 101
39 4031	JOE	22 2.50	2 16 WH UA 09
39 4031	KELLY	55 5.30	5 15 WH NR 101
39 4031	MIKE	22 2.50	2 15 WH NR 101
		20.60	

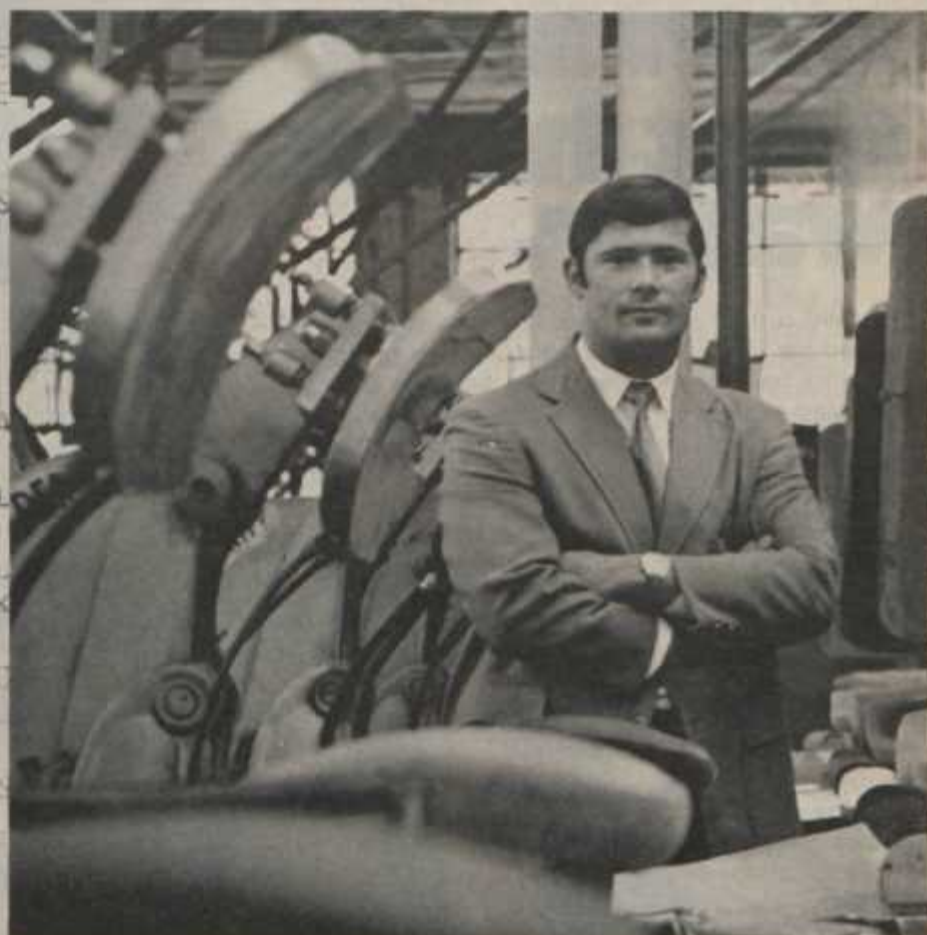
39 4032 GOLDE
39 4032 HOPPE

39 4033 MIKE
39 4033 AL
39 4033 DAVE
39 4033 MIKE

39 4037 RICH
39 4037 ARI
39 4037 CHARL
39 4037 DICK
39 4037 FLOYD
39 4037 FRANK
39 4037 JOHN
39 4037 VICTO

39 4041 ASBES
39 4041 BILL

39 4042
39 4042



Tom Andris, Clean Coverall Supply, uses this System/3 report to get out invoices fast. IBM has a booklet called "Management Reports in the Small Business." For your copy, write: Director, Basic Systems Marketing, Dept. 807DNB, IBM Data Processing Division, 1133 Westchester Avenue, White Plains, New York 10604.

39 4046	PILOTS SUNOCO	422 E 11 MILE	MAD
39 4046	B C	66 6.05 1	6 15 PB NR 6
39 4046	BRENT	66 6.05 1	6 15 PB NR 6
39 4046	CHARLIE	66 6.05 1	6 15 PB NR 6
39 4046	CHUCK	66 6.05 1	6 19 PB NR 6
39 4046	CLAY	66 6.05 1	6 15 PB NR 6
39 4046	ERNIE	66 6.05 1	6 14 PB NR 6
39 4046	FRANK	55 6.05 1	5 15 GB NA 10
39 4046	GEORGE	55 6.05 1	5 15 GB NA 10
39 4046	JOHN	66 6.05 1	6 15 PB NR 6
39 4046	KEN	66 6.05 1	6 14 PB NR 6
39 4046	L R B	66 6.05 1	6 15 PB NR 6
39 4046	ROY	55 6.05 1	5 17 GB NA 10
39 4046	WILL	66 6.05 1	6 15 PB NR 6
		78.65	

000-0000

000-0000 CASH

2 3429 SH NR 10160
5 3430 SH NR 10160
2 2828 SH NR 10160
2 3629 SH UA 09250
5 3429 SH NR 10160
2 3130 SH NR 10160

585-4065 CASH

6 3851 SG NR 5280

000-0000 CASH

6 3227 SG UA 5220
2 3630 SG UA 09010
6 3231 SG NR 10300

000-0000 CHG

2 3232 NB NR 10020
3 3831 NB NR 10020
3 3628
2 2930
3 3629
2 3434
3 3629

Before System/3, 5,000 invoices a week were a nightmare for Tom Andris.

Mr. Andris is general manager of Clean Coverall Supply Co., a firm that does the laundry for 5,000 Detroit auto dealers, service stations and manufacturers.

This means processing 4,000 to 5,000 invoices a week. It used to be a staggering job, requiring hundreds of man-hours.

Today the same job is done in a fraction of the time. IBM's System/3 makes the difference. Bills are handled at the rate of 400 per hour. The itemized invoices are printed out automatically.

And when System/3 isn't churning out Clean Coverall's invoices, it's doing accounts receivable. And compiling sales reports.

System/3 also figures out Clean Coverall's complicated payroll. A jigsaw puzzle that includes guaranteed minimums, driver commissions, piecework incentives, and even bonus birthday pay.

It takes up-to-date information to make a business grow. Tom Andris gets it. So do more than one thousand other organizations now using System/3.

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EXECUTIVE TRENDS

BY JOHN COSTELLO
Associate Editor

The view from on high

It's often myopic, one expert says. In many big firms, he adds, power and decision-making are like cream: They rise to the top.

"Many employees and managers in large organizations are treated like hemophiliac children," says Dr. George S. Odiorne, dean of the University of Utah's College of Business. "They must not move without checking with their firm but loving corporate parents."

"As a result of this tightening of controls, the reports fly upwards—and vetoes downward."

That's a dangerous phenomenon, Dr. Odiorne says.

The self-image of genius and omniscience at the top, he notes, can lead to poor decisions—and disastrous morale.

"A company," he says, "produces more than products."

"It produces people—and their outlook, behavior, skills and character are shaped by the environment in which they work."

"Emphasis on impersonal management systems at the cost of attention to the people who staff the organization will result in increased apathy, discontent and rebellion."

The remedy: A greater share in making decisions they must carry out.

Those ready-made pension plans

R. C. and R. W. Premium Tire Co., of North Tonawanda, N. Y., wanted a pension plan.

"We felt it would help us get—and keep—good employees," says Robert Colwell, partner.

But the company is a small one, with only 10 employees. The cost of

- Cloudy vision at the top
- Master plans for pensions
- The absent can sign in
- Thriving on pressure

having a plan tailor-made would be steep.

Two years ago, R. C. and R. W. Premium Tire signed up for one of the ready-made plans offered by Continental Assurance Co.

"We're very happy with it," Mr. Colwell says.

His firm isn't the only one that likes such prepackaged master plans.

Internal Revenue Service approved the first batch of them in October, 1969. It has now put its stamp of approval on more than 1,400. Each can be put into effect without submitting it to IRS' legal beagles for qualification.

"These prototype plans, already okayed by IRS, are ideal for many smaller corporations," a Continental Assurance Co. spokesman says. "Often, the company lawyer isn't familiar with pension plans. He'd rather recommend a master plan which already has IRS sanction."

Only about 200,000 of the nation's 1.4 million corporations have pension plans for employees. However, they employ about half the nation's private work force.

Insurance companies, mutual funds and banks offer the master plans.

"They save time and legal fees," one expert notes, "and avoid government red tape."

Getting from here to there

It cost him \$7.70.

But John Smith figures he saved \$366—in plane fare alone.

Here's how.

He moved from Washington, D. C., to take a job in San Francisco. He left his \$100,000 house in the hands of a real estate broker.

A few weeks later, his broker called.

"I've got a buyer," he said.

"But to close the deal, I need you—"

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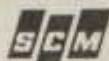
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A Philadelphia manufacturer tested Mosinee Turn-Towls in one of his plants against a well-known folded service in his others. After one year, he switched all plants over to Turn-Towls! The reason: Turn-Towls' two-way button-and-crank control dispenses one instant-absorbency towel at a time, reducing consumption. And polished aluminum cabinets are loaned free for use with Turn-Towls. Write today for free towel samples.



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EXECUTIVE TRENDS

continued

or your signature—now. Can you fly back East at once?"

"Nope," Mr. Smith replied, "but I'll give you my power of attorney."

"Impossible," the broker countered. "It has to be in writing."

Mr. Smith got it there anyway, in a few hours, by using facsimile transmission.

"This kind of service was once available only on a very limited basis," says C. Bart Bartell, board vice chairman, Facsimile Transmission Network, Inc., Santa Barbara, Calif.

But FTN's network has local service centers in more than 250 cities in the United States and Canada.

"We call it Faxmail," Mr. Bartell says. "You can send a hard-copy duplicate of any document, or photo, coast to coast. Or from Little Rock to Tallahassee, for example—or from Peoria to Saginaw."

The cost is about that of a six-minute long-distance call of equal distance—plus \$5 for messenger service, if you want it.

But Mr. Smith says it saved him the cost of a first-class ticket to the East Coast and back.

Keeping track of your estate?

Do you have a record of those stocks—and bonds—you own?

How about mineral rights, if any? Or the pension and profit-sharing benefits due you?

You should keep a written record of all these assets. And a lot of other financial data besides.

Including mutual fund shares or real estate you own, as well as mortgages and notes receivable.

One company, Day-Timers, Inc., Allentown, Pa., can help you. It has a small, handy book that makes it possible to keep all your financial data in one place.

It has tips, too, on how to keep tab on income from your investments or tote up your net worth quickly and easily.

Your accountant should love it.

Traits of top performers

"Pressure?"

"I thrive on it."

When an executive says that, don't call the funny farm.

His reaction is perfectly sane, one authority says.

"Pressure," adds James W. Newman, "is part of life for every human being. What's crucial is your response to it."

"The high-performance executive isn't comfortable without pressure. He knows that's when he performs

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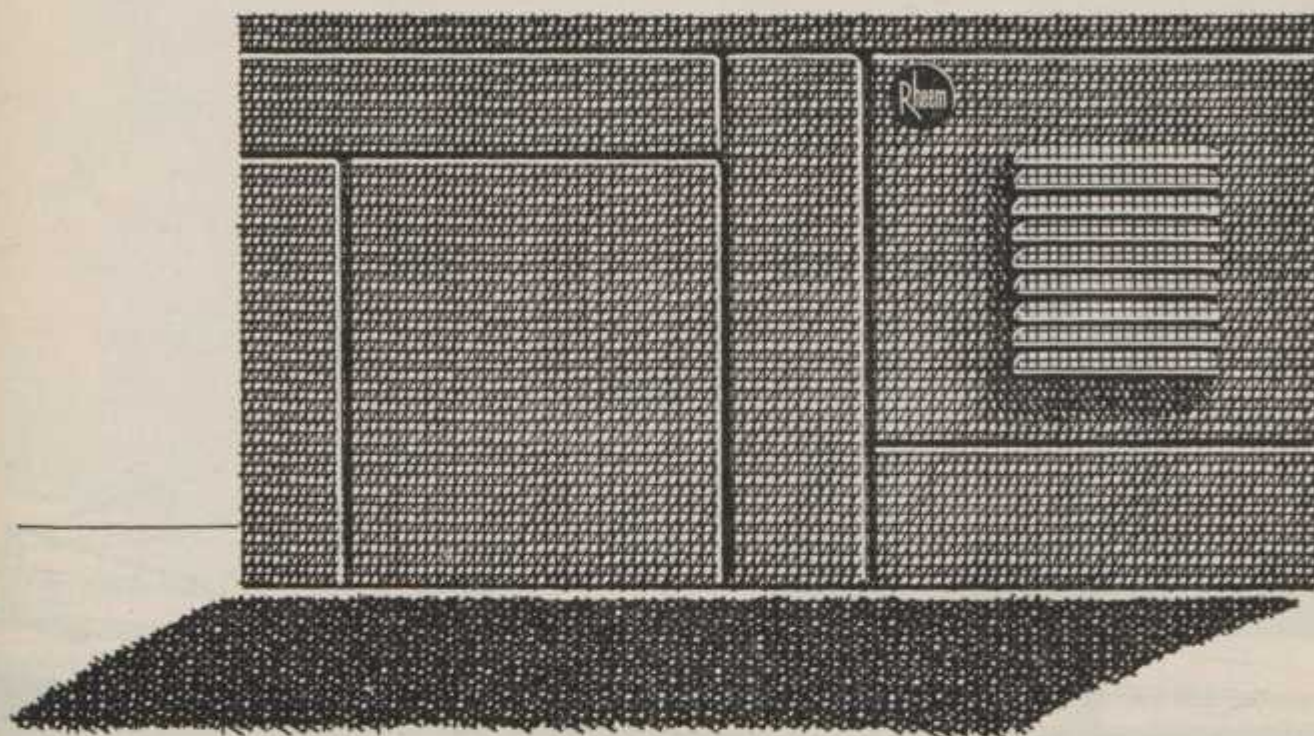
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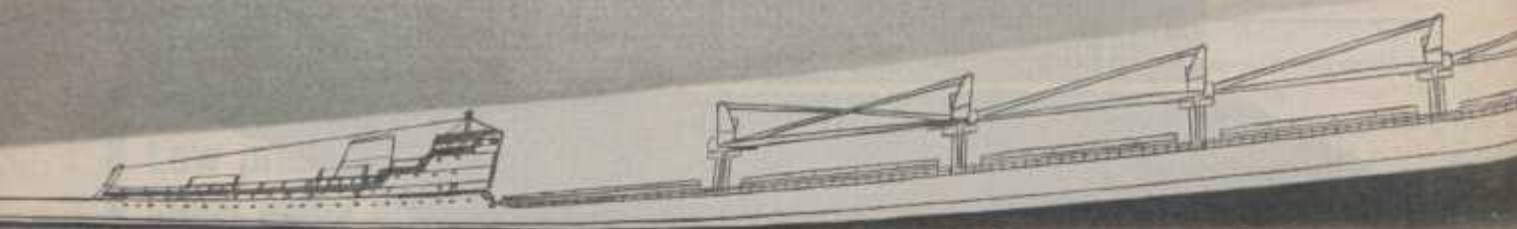


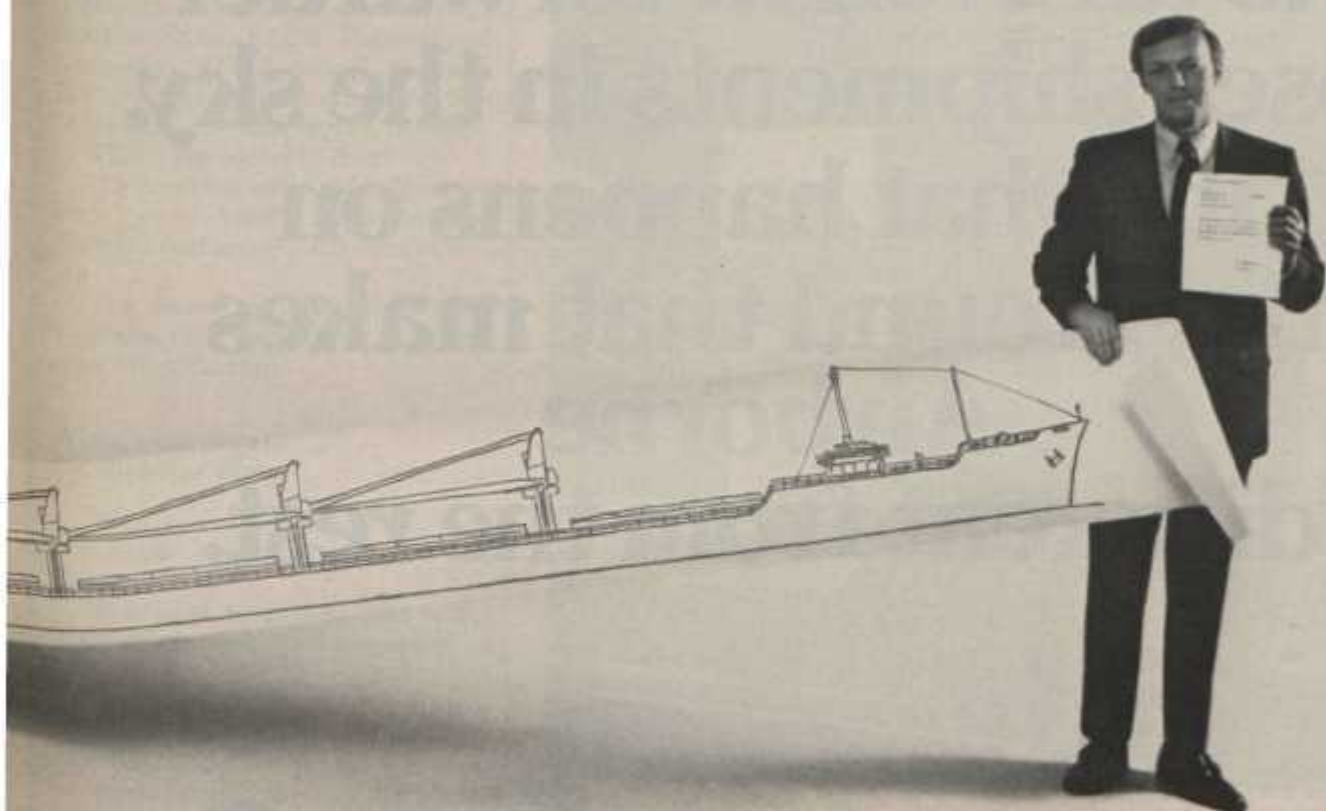
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It comes from a printer we make that turns out copies 18 inches wide by as-long-as-you-want long. In case you have plans, say, for a mile-long ship.

Which may be an unusual way to copy things, but not our only unusual one.

We have accessories that allow

our duplicators to automatically feed themselves originals. Then slit or perforate the copies. Or even collate them automatically for you.

We have microfilm printers that make small things bigger, and other machines that take big, oversized documents and make them smaller for easier handling.

All on ordinary, unsensitized paper.

We have over 20 copiers, duplicators and printers, in all. To fit

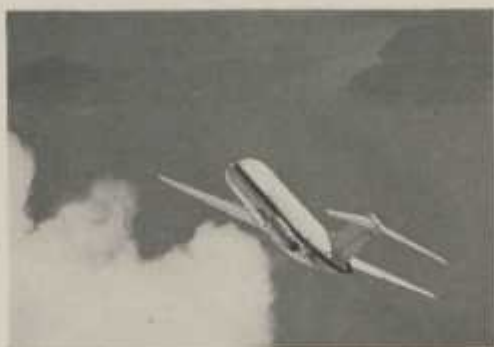
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best. When the pressure's on, he turns on."

This is one of 10 traits all top performers have, he says.

"In fact," he adds, "we all have them to some extent. But top performers develop them to a high degree."

His firm, the J. W. Newman Corp., is author of the PACE (Personal and Company Effectiveness) program. It's designed to teach executives how to be more-effective human beings.

What's the secret of that?

"To function well," Mr. Newman says, "we need skills, motivation and the right attitudes—patterns of thinking."

"It's when you strengthen these attitudes that you're able to realize your full potential."

What a corporate PR director does

"He's not a magician who will whitewash a spotted image," one expert says.

"Nor is he a good-natured buffer who will keep inquisitive reporters at arm's length."

"And there's more to his job than simply generating a flow of positive-sounding stories about the company to divert attention from its shortcomings."

"The public relations director is really a catalyst," says John F. Budd Jr. in his book, "An Executive's Primer on Public Relations."

"Upon his initiative, management takes action to obtain as favorable a consensus from its various publics as is reasonable to expect."

Author Budd, a group vice president with Carl Byoir & Associates, Inc., warns that the PR director is only as good as management will let him be.

His job, says Mr. Budd, is to give management sound, realistic recommendations that will put the company squarely in the position of doing what it ought to do.

It takes "guts and expertise," he warns, to do it.

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- that you can reduce your risk of heart attack by controlling high blood pressure and by following a few simple rules in your eating and living habits?

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The softest jolt in

Instead of riding directly on the frame, the FLEETSTAR® A cab rides on a sub-frame of 2 rugged steel rails and a special coil spring-shock absorber support. We call it our cushion-ride cab and it's the best bump-smoother in the business.

The cushion-ride cab is like no other cab on the road today. It actually separates the cab from the chassis. Special suspension and a stabilizer bar at the rear control sway and give lateral stability. So harsh jolts translate into a smoother ride. That means more comfort and greater efficiency for your driver. Less downtime and longer life for your investment.

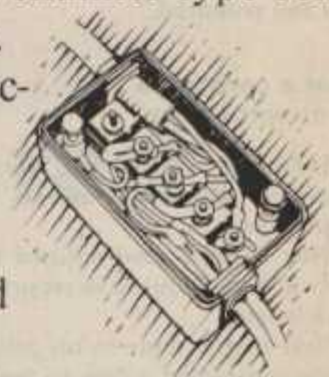
But if our Fleetstar A cushion-ride cab is special on the outside, it's also special on the inside. The list of standard equipment includes fresh-air heater/defroster, electric windshield washers, and thick-cushioned seats.

And you can specify almost any option you want. Including air-conditioning.

When you look beyond the cab itself, you see still more evidence that performance and reliability are built into every Fleetstar A. Heavy-duty is the watchword.

Heavy-duty frame. Optional inverted "L" and channel type reinforcing available.

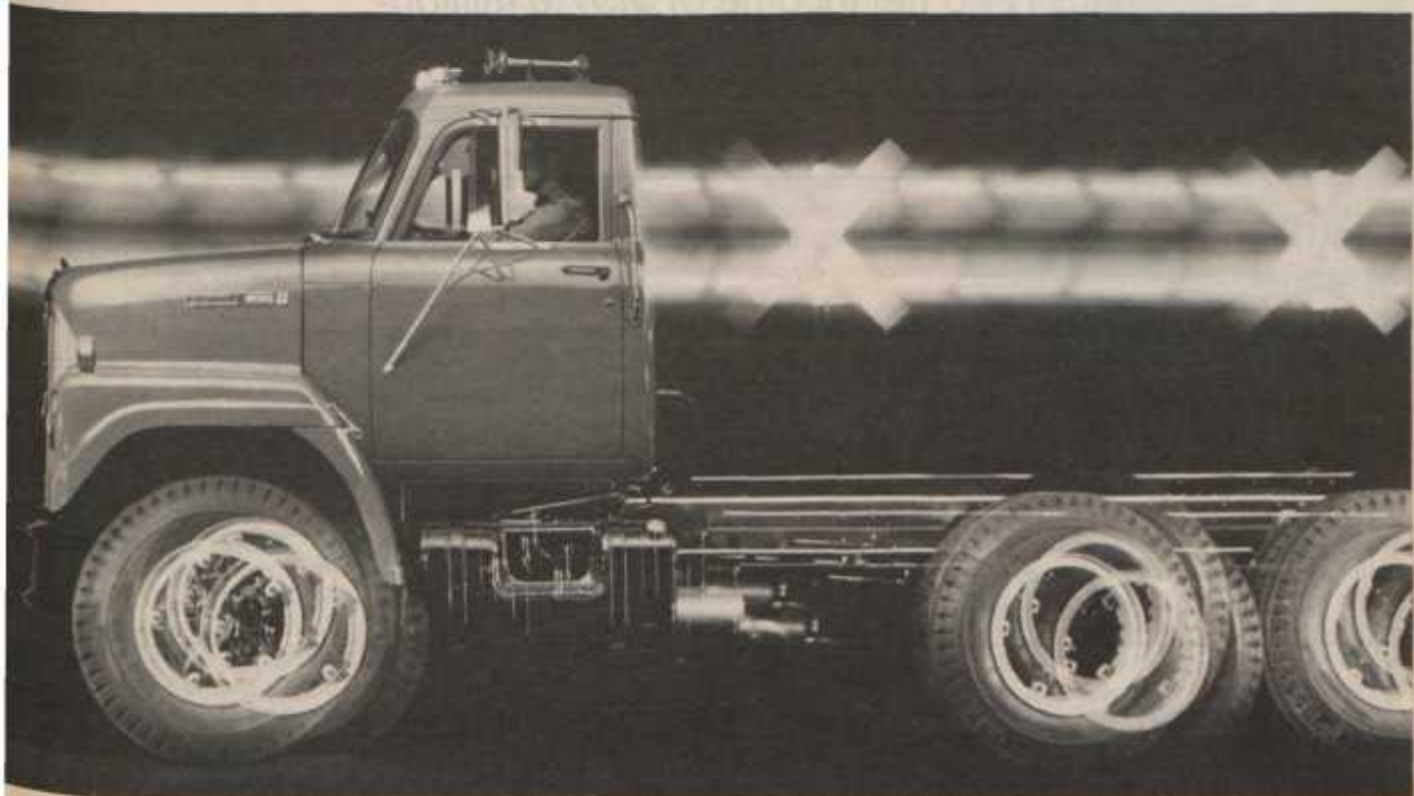
Heavy-duty electrical system. With bolt-type junction blocks, individually fused circuits.



Heavy-duty bolted radiator. Mounted independently of the frame to reduce vibration. The radiator includes a positive action de-aeration system to purge air and eliminate hot spots for longer life.

Steel butterfly or fiberglass hood that tilts for easier servicing. And backing up a nationwide network of dealers, branches, and depots is America's fastest truck parts emer-

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agency delivery service—Computair.* A service that combines electronic inventory with jet freight shipment.

For dependable power, you have a choice of IH quality-built gas or diesel engines. Up to 285 horsepower.

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*Computair: A Service Mark of the International Harvester Company

And for the maneuverability you need to get in and out of tight spots quickly, you have wide-track center tread axles and integral power steering. So you can wheel this powerful truck in sharp turns.

Your International dealer is waiting to tell you more about the unique cushion-ride cab Fleetstar A. The truck that does everything you expect a truck to do. Except ride like a truck.



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Tenneco reports record revenues of \$2.52 billion— its 26th consecutive increase.

Plus 1970 net income of \$157.8 million—
slightly below the 1969 record high.

SUMMARY	1970	1969
Operating revenues—		
Machinery, equipment and shipbuilding	\$ 869,227,593	\$ 861,829,533
Gas sales and transportation	586,865,611	563,357,774
Crude oil, condensate and refined products	420,296,897	399,067,944
Chemicals	245,412,798	248,963,910
Packaging	249,704,357	257,226,252
Land use and other	153,232,512	120,151,650
	<u>\$2,524,739,768</u>	<u>\$2,450,597,063</u>
Net income	157,808,792	165,490,544
Preferred and preference stock dividends	35,895,472	38,324,700
Net income to common stock	121,913,320	127,165,844
Per average share of common stock	\$2.09	\$2.31
Average number of shares outstanding	58,403,761	55,011,314

Tenneco's progress in 1970 was slowed somewhat by the overall weakness in our economy.

Even so, Tenneco reports its 26th consecutive increase in revenues—from \$2.45 billion in 1969 to \$2.52 billion in 1970.

And both net income and earnings per share were only slightly below the all-time record levels set in 1969. 1970 net income: \$157.8 million compared to \$165.5 million in 1969. 1970 earnings per share: \$2.09 compared to \$2.31.

In its 1970 Annual Report, Tenneco also reviews its record growth over the past decade. And it declares as its objective: "Build in the 70's on the impetus from the 60's."

As N. W. Freeman, President, and Gardiner Symonds, Chairman of the Board, state in their Letter to Stockholders: "Strength builds on strength. And the attainments of the past have endowed our company with real opportunities for even more vigorous growth."

For facts and figures behind Tenneco's optimism for 1971 and the years ahead, see the 1970 Tenneco Annual Report.

For the 1970 Tenneco Annual Report, write: Section G, Public Relations Department, Tenneco Inc., P.O. Box 2511, Houston, Texas 77001.

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PANORAMA

of the nation's business

By VERNON LOUVIERE
Associate Editor

PHOTO: DEL ANIERE PHOTOGRAPHERS



Sen. Margaret Chase Smith (R.-Me.) joins in a celebration of Mr. Blackistone's centenarianism. She is one of his customers.

The Bloom Is Still on at Age 100

Most businessmen, including Jack Nicklaus and Arnold Palmer, can't come close to "breaking their age" in 18 holes of golf.

Zachariah D. Blackistone of Washington, D. C., a three-times-a-week golfer, can do it. Mr. Blackistone has an advantage, though, for he recently celebrated his hundredth birthday and still manages to shoot a good game of golf.

Ulysses S. Grant was President of the United States and Germany's Count Otto von Bismarck had just proposed peace terms to the French on Feb. 16, 1871, the day of Mr. Blackistone's birth.

Washington's oldest businessman, who has built up a \$1.5-million-a-year volume as a retail florist, went into business for himself in 1898 when he drew \$10 from the bank for two weeks' rent of a tiny downtown shop.

"First sale I ever made was a single La France rose for 25 cents,"

he recalls. "At that time 25 cents for a rose seemed so impossible—when I compared it with a bushel of potatoes I used to dig in the country and sell for 50 cents—that my conscience hurt me all night."

Mr. Blackistone, probably the oldest member of the Florists' Transworld Delivery Association, consistently is among the top half-dozen florists in the country who send flowers by wire. He owns several retail stores, employs some 75 persons, and puts in a full day's work.

For some years Mr. Blackistone has attracted newspaper and television attention on the day he takes—and passes with flying colors—his annual driver's license exam. He is the capital's oldest licensed motorist.

"A challenge every day is what keeps you going," is his typical comment on achieving the centennial mark in life. "I think about what will make me feel good tomorrow, including eating right, drinking right, sleeping right and keeping busy all the time."

Mr. Blackistone takes daily calis-

thenics, drinks wine with each meal and naps for 15 minutes in the afternoon.

A few days before his hundredth birthday he was a guest at the White House for Sunday religious services. He was nearly 42 years old when his host was born in 1913 in Yorba Linda, Calif.

Reclaiming a Dump in a Big Way

Converting a garbage dump into an attractive industrial hub is no easy feat but it was accomplished on a piece of eyesore real estate in New York's Bronx section.

The property, seized by the City of New York a number of years ago for nonpayment of taxes, was a constant irritant to the residents of the surrounding working-class neighborhood of neat homes and well-kept gardens.

It was a drag on the tax rolls and a favorite repository for illegally unloaded trash and garbage.

Emil Kortchmar, president of the Lincoln Machine Parts Corp. in the Bronx, had been eyeing the property

for some time when, in 1968, he decided to do something about it.

He contacted the Public Development Corp., a nonprofit civic agency created by New York City to help spur economic development. Lincoln Machine Parts needed to expand, he said. A number of his competitors were moving out of the city but he would like to remain if he could find a parcel of land at reasonable cost.

PDC went to the city Department of Commerce and Industry, which had jurisdiction over the land. Both agencies then induced the New York City Industrial Development Corp. to process a \$150,000 loan to Lincoln Machine Parts from the New York State Job Development Authority.

When all this was done it still was necessary to obtain zoning revisions, approval of the Board of

Estimate, and cooperation of the neighborhood. Finally, the company had to raise \$550,000 to build the plant.

The loan obtained from the state job development agency made it possible to sign a 21-year-lease on the land with an option for 21 additional years.

Businessmen, community leaders and city officials turned out for the dedication of the plant last December. The old dump is now a neighborhood attraction.

"It has helped us provide employment for about 80 people, mostly blacks and Puerto Ricans," Mr. Kortchmar reports. "We have a \$350,000-a-year payroll and it has been a good investment for all concerned."

continued on next page

Workers "Buy" an Idea —and Sales Thrive

"We pledge ourselves to the concept that high quality, prompt delivery and fair prices mean good business and good jobs."

Such a slogan may make the front office brass happy, but it may be totally ignored by the boys in the back shop for whom it is intended.

Not so at Cincinnati's G. A. Gray Co., a leading manufacturer of large machine tools.

Gray, a Warner & Swasey subsidiary, has been feeling the pinch of foreign competition, as have all others in its field. Last year, when it was about to bring out a new line of vertical boring mills, the company found that foreign firms would undersell the line by 25 to 30 per cent.

Production experts and others went back to their drawing boards and returned with a design that would meet the foreign competition—provided Gray received the cooperation of its production workers.

Gray's President Graham Marx decided to try to enlist the support of the 400 plant employees, all members of the powerful United Steel-

workers of America. He was not optimistic that the union would buy the idea he put forward—that the men sign a pledge which meant increasing productivity, among other things.

However, as Charles W. Doepke, vice president in charge of sales, puts it:

"We knew that we had to impress on our people that this was an opportunity we couldn't pass up. We also knew that if we could do this with one machine tool, why not with all of them we were turning out."

The company designed a plaque with the slogan noted above and virtually every union member signed it. The union had completely accepted the idea.

Today, its members proudly wear

buttons proclaiming, "We're competitive at Gray." The union, of course, had come to realize that it's good business to cooperate, because it means preservation of jobs.

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Industrial Museums: History on Parade

Americans fanning out over the country this spring and summer in search of vacation diversion will head by the millions for the Mt. Vernons and the Lincoln log cabins.

With the proper planning they could break up the boredom of highway travel by seeing an aspect of history which is equally interesting—in America's industrial museums.

Edison's original laboratory and the Wright brothers' bicycle shop are among many such attractions that await them along the highways and byways.

One which yearly draws thousands of visitors is the Henry Ford Museum and Greenfield Village, a 260-acre complex in Dearborn, Mich. Dedicated by Mr. Ford in 1929, its shops, buildings, machines and artifacts trace the history of American

life from first settlers to the Twentieth Century.

More than 33 million visitors have enjoyed strolling through the RCA Exhibition Hall in New York's Rockefeller Plaza since its opening in 1947. The museum uses three-dimensional displays to dramatize the impact of the information revolution on the way man lives, learns, communicates, works, explores and spends his leisure time.

In Akron, Ohio, the Goodyear Tire and Rubber Co. Rubber Exhibit is a popular tourist lure. It features, among other things, a reproduction of Charles Goodyear's "kitchen workshop" where he developed the vulcanization process.

At Saugus, Mass., about 10 miles north of Boston, is the completely restored Saugus Ironworks, which began operations in 1646 and was the first successful ironmaking venture in this country. The American Iron and Steel Institute restored the

old works at a cost of over \$1.5 million.

The history of the distilling industry in the United States is told at the Barton Distilling Co.'s Museum of Whiskey History in Bardstown, Ky. Carrie Nation and the Whiskey Rebellion are accorded proper attention.

A much longer stretch of history—3,500 years—is explored at the Corning Glass Center and Museum of Glass in Corning, N. Y. There are exhibits on glassmaking from its infancy to the present. Craftsmen work as visitors watch.

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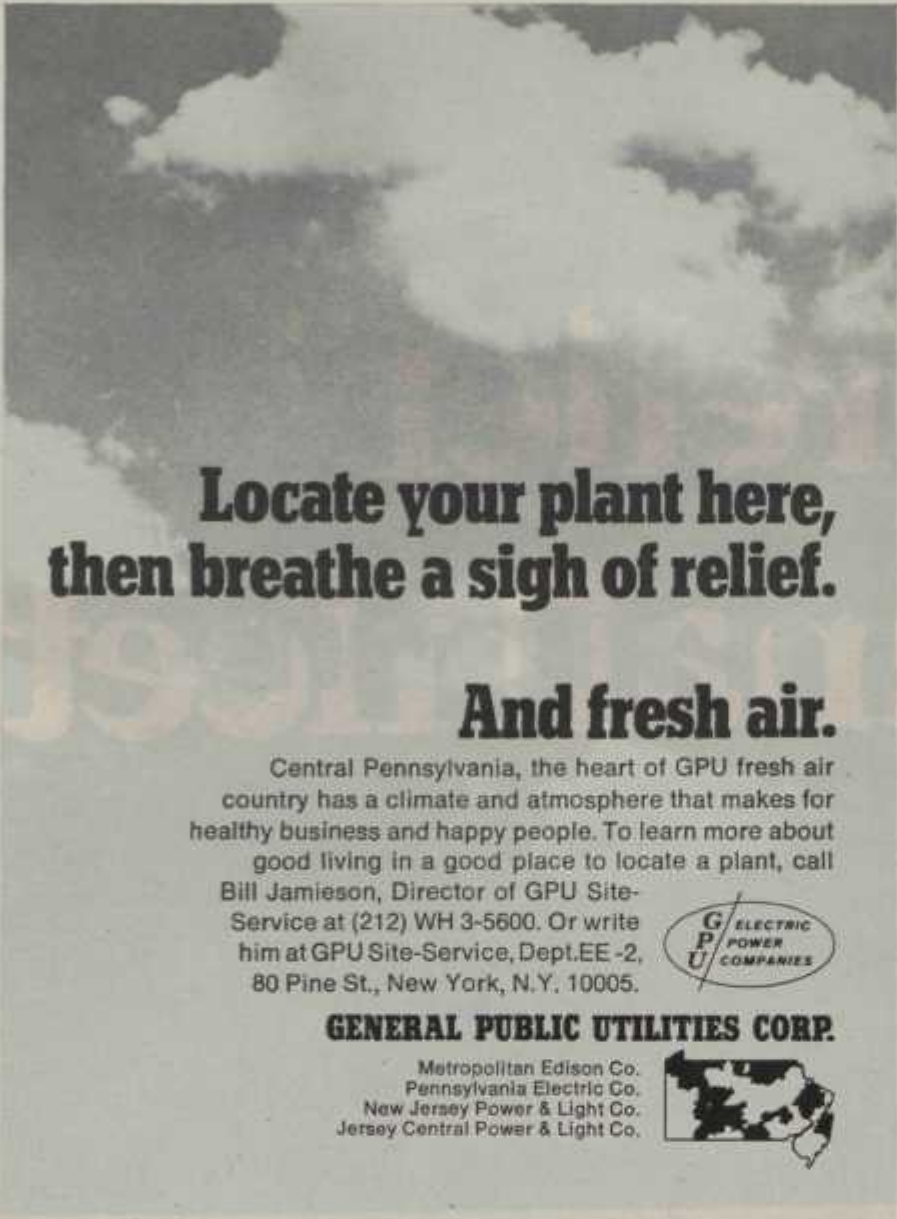
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RESPONSE** *continued*

William E. Williams, second vice president, Sever-Williams Co. Inc., Washington Courthouse, Ohio, commented: "Strikers are voluntarily unemployed. State and federal assistance programs should and must be restricted to those indigent through no fault of their own. Federal relief to strikers is slow poison leading to national suicide."

Said Ralph Barrows, branch manager, Walter Meier, Inc., Waterloo, Iowa: "I am the first to offer aid to people who need it but I cannot understand why I should have to support people just because they do not choose to work. If we continue with this type of welfare we will all have to be on it. There is not enough money to supply everyone with what they want without working."

A Salt Lake City, Utah, dentist, Dr. Keith O. Karren, took the position that welfare for strikers should be limited, but not eliminated. "Certainly, no one should be allowed to starve," he said, "but there also should be a limit as to length of support. Thus, the striker should be informed. When the limit [of benefits] has been reached, off he goes and out to look for another job."

"We are not hesitant to aid the many people on welfare who can work but are chiseling," wrote Ronald A. Valcourt, production control director, Newport Finishing Corp., Fall River, Mass. "Why should we deny the working man that same assistance?"

Another reader who answered the welfare-for-strikers question with a Yes was Dale Numelin, marketing manager, Simmons Co., Cincinnati, Ohio. "A mere subsistence level, federally provided, does little to diminish a worker's desire to go back to work," he wrote. "As long as a worker's living standard is substantially reduced, he'll return to work when he feels it's right."

On the other hand, F. B. Read, department assistant, General Motors Corp., Detroit, Mich., asserted: "Giving a striking employee welfare in any form means the employer is financing a strike against himself."

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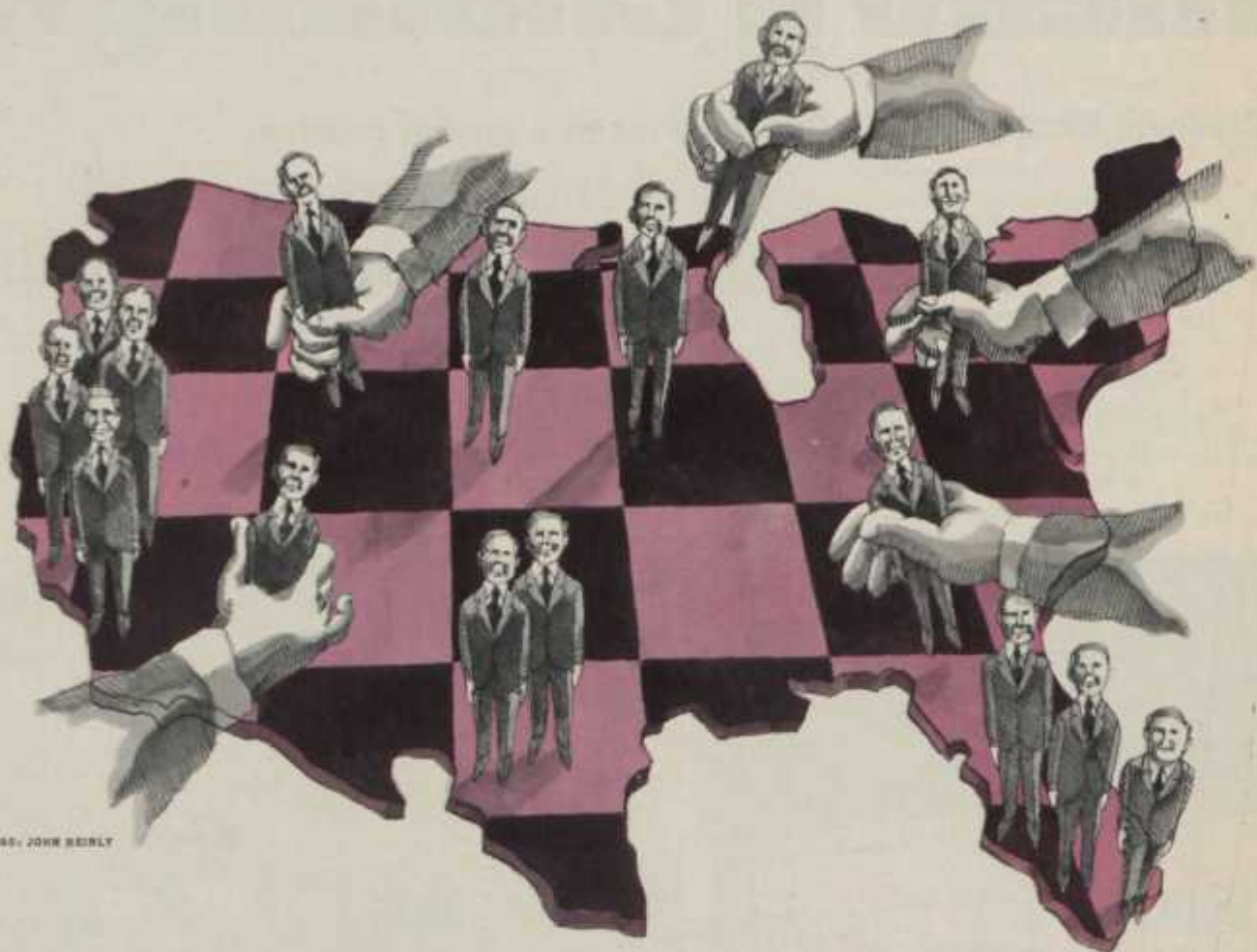
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It's a Different Political Ball Game

Millions of us will be involved in shifts of Congressional and legislative districts; they're being laid out under changed rules, and the lineup has changed, too, due to the growth of suburbia and the lower voting age



DRAWINGS: JOHN REILLY

Battle lines are being drawn in state capitols across the land for a political power struggle that will have major impact on national and state government—and on business.

Congressional and legislative district boundaries are being reshaped to reflect the results of the 1970 census, which showed dramatically how the political clout has moved from cities to suburbs.

Cries of "foul" are already being heard. Prolonged court action over many redistricting plans is assured.

The in-power political party, which is in charge of redrawing lines, usually tries to exact the utmost advantage for itself. The opposition fights equally hard for control.

Adding a new dimension to this

year's redistricting imbroglio is the fact that it is the first time the Supreme Court's one-man, one-vote decrees are being applied across the board and to up-to-date census figures.

Those decrees apply not only to Congressmen and state legislators, but to county commissions, city councils and other local government units right down the line. The census results will dictate major changes in them, too.

The revisions being made to reflect the massive population shifts of the 1960s will go a long way toward determining the political and ideological makeup of national and state legislative bodies from 1973 through 1982.

Candidates elected from the revised districts will come to office at a time of growing demand for ever more government action in such areas affecting business as economic policy, consumerism, environmental protection, implementation of job-safety legislation, health insurance and the whole gamut of existing taxpayer-financed social programs.

Thus, a decision made today to include this county, exclude that block of houses or split up that suburb on a redistricting map could eventually determine which candidate will be voting on crucial business issues.

Changes in Congressional lines will be of three varieties: those made to accommodate seats gained through population growth; those to readjust

to lost seats; and those in states that have had internal population shifts without growing enough to gain new seats.

During the 1960s, the national population trend continued away from the industrial Northeast and Midwest farm belt toward the "sun belt" of the South, the Southwest and the West—giving those regions larger slices of the House of Representatives' voting membership, which is limited to 435.

California has gained a whopping five additional House seats, for a total of 43, giving it the biggest Congressional delegation of any state.

Florida picked up three seats and Arizona, Colorado and Texas, one each. (The population of Oregon jumped 18.2 per cent, to 2,091,385, but that was just 235 people short of enough to give the state an extra seat.)

New York and Pennsylvania were the big losers, giving up two seats each. Alabama, Iowa, North Dakota, Ohio, Tennessee, West Virginia and Wisconsin lost one each.

While the 14 states with seat gains or losses have received the most attention, internal population shifts will make redistricting necessary in varying degrees in the other 30 states which have more than one Congressman.

Many have had marked suburban growth which, combined with the one-man, one-vote rule, could alter the makeup of their Congressional delegations.

Richard Scammon, director of the Elections Research Center and one of the country's leading political analysts, says the changes within states that didn't pick up or lose House seats are of no less importance—and possibly are more important—than the changes between states.

He believes the population shift to the suburbs—for the first time in U. S. history there are more voters in the suburbs than in either the cities or rural areas—will make them

"much more contestable in elections, much more reflective of the views of the majority of Americans."

The suburbs have long been enclaves of Republican influence, but some analysts now think they are becoming a cross section of America outside the upper and lower extremes of income.

Mr. Scammon, who is among those analysts, feels that Republicans who expect a political bonanza in the shift to suburbia may be disappointed.

"The idea that you become a Republican as soon as you move from the city to a suburb just isn't so," he says.

For one thing, he points out, the suburban march begun by upper-income business and professional people has swelled to include more and more blue collar workers, plus a growing number of Negroes.

On a recent visit to Milwaukee, he recalls, he was told by an official of a brewery workers' union that at least half the union's members now live in the suburbs.

Mechanics matter

The mechanics as well as the politics involved in drawing district lines remain important despite limitations set by the Supreme Court, Mr. Scammon and other observers agree.

The Constitution directs that Representatives "shall be apportioned among the several states which may be included within this Union, according to their respective numbers. . . ."

Population is to be determined by a census every 10 years, under the Constitution, and though the Founding Fathers did not say reapportionment must follow the census, it traditionally did—until 1920.

The census that year showed the cities' population was greater than the farm areas—for the first time. Representatives from rural sections refused to accept the findings, and there was no reapportionment.



That impasse led to the present system, in which reapportionment is required following a census.

Historically, in the absence of regulations as to how Representatives were to be apportioned within the states, legislatures had great leeway.

In addition to the time-tested device of gerrymandering—shaping districts to gain maximum political advantage—they could allow wide variations in the populations of individual districts.

And states that gained Representatives frequently had candidates for new seats run at large, rather than disturb the existing arrangements.

Until the 1960s, the federal courts refused to intervene, holding that redistricting within a state was a matter for the politicians.

But that philosophy changed. A series of decisions not only put the federal courts deeply into redistricting but eventually led to a requirement that districts be drawn with the goal of "absolute equality" of population.

Legislatures still retain flexibility



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It's a Different Political Ball Game *continued*

in shaping Congressional district lines, however, and the political advantage involved is considerable:

Some examples:

- In 1968, Rep. Hale Boggs (D.-La.), then House majority whip, won only a narrow victory in his home district over a Republican he had defeated easily two years before.

The following year, redistricting by the all-Democratic state legislature eliminated from Rep. Boggs' district a heavily Republican suburban area and added a solid Democratic section of the New Orleans inner city. He went on to win easily in 1970 and become House majority leader.

- Republican-controlled New Hampshire legislatures have kept the industrial cities of Manchester and Nashua in separate Congressional districts for a century. Otherwise, the heavily Democratic electorates of the two cities, which are only 10 miles apart, could combine against G. O. P. candidates.

- Republicans won six out of 10 Congressional seats in Virginia in the 1970 elections. Early this year, the Democratic-controlled legislature passed a redistricting plan to force four Republican incumbents into two districts. The revised lines also substantially diminish Republican voting strength in the district of a fifth G. O. P. incumbent.

- The G. O. P.-controlled New York legislature moved five predominantly Democratic towns from a district on Long Island represented by Democrat Allard Lowenstein into an adjoining district. A Republican then ousted Mr. Lowenstein in last November's election.

New combinations

Such tactics are relatively simple and by no means new. But there will be new, important and complex issues to be considered as the lines are drawn for the 1972 elections. Among them:

- The cities: As the flight to suburbia continues, many cities are left with crushing financial problems, larger proportions of Negroes in their electorates, and the prospect of declining representation in Congress. Legisla-

tures will have to decide whether suburban areas will get their own new Congressional districts or be combined with parts of the center cities. That issue is expected to be one of the most heated of the redistricting controversies.

- The young: All citizens aged 18 through 20 will be eligible to vote for members of Congress, as well as for President, in 1972, and a constitutional amendment to lower the voting age to 18 for all elections has gone to the legislatures. Who will win the new voters' support? How will efforts to win it affect political patterns?

- Equality of population: In addition to the basic one-man, one-vote rule, the Supreme Court has decreed that numerical exactness of districts takes precedence over preserving such areas of common interest as counties, cities, towns, wards and even blocks. This could lead to splitting up of areas long joined together in the same Congressional districts because of economic, racial, ethnic or other ties. The outcry from affected groups may be fierce.

The political situation in the state capitols is also an important factor in the long-range planning of party officials.

In California, Democrats won control of both houses of the legislature last November and will be drawing the new Congressional district lines. But Republican Gov. Ronald Reagan holds a veto power that could lead to a classic showdown battle.

Republicans sit in the Governor's chair and control both houses of the legislature in Arizona and Colorado, while the Democrats are in the same position in Texas and Florida.



The extent of the potential conflict between legislature and Governor over both Congressional and legislative redistricting is seen in these figures:

- Democrats hold governorships and legislative control in 16 states with 151 Congressmen. In eight other states, that party controls both houses of the legislature but the Governor is a Republican.

- Republicans hold governorships and control both houses of the legislature in 10 states that have a total of 85 members of Congress. In eight other states, Republicans control the legislature but there is a Democratic Governor.

- Legislative control is divided in the eight remaining states.

Republicans were in much better shape on the state level until setbacks in the 1970 elections, and Democrats see their own enhanced power in statehouses and legislatures as a marked advantage in redistricting this year.

Strategy on the Hill

In offices two blocks apart on Capitol Hill, strategists of both parties are poring over maps and charts in much the same manner as generals on the eve of a major engagement.

The outlook in each office could be described as cautious optimism.

Rep. Bob Wilson of California, chairman of the National Republican Congressional Campaign Committee, anticipates that the current redistricting will undo "the imbalances" of the redistricting that followed the 1960 census.

Rep. Wilson traces much of the

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Political Ball Game *continued*

G. O. P. difficulty in Congressional races during the '60s to the sweeping successes Democrats enjoyed in elections throughout the country in 1958.

They held onto much of the gain in the 1960 elections and were therefore in position to control redistricting in many states.

Using his home state as an example, the Congressman points out that the eight seats it gained in the 1960 census were all won by Democrats under a redistricting plan drawn by a legislature controlled by that party and signed by a Democratic Governor.

But, Rep. Wilson adds, "the Republicans were in control 10 years earlier and we did the same thing. We won all seven new seats we got that year."

He believes the Supreme Court's redistricting decrees will hamper but not entirely eliminate partisan activity in redistricting. "It's a game," he says, "but the rules have been changed quite a bit and it's not going to be so easy."

At House Democratic Congressional Committee headquarters, Executive Director Kenneth Harding says "I see no reason why the Democrats can't increase the majority they now have in the House."

He is by no means willing to concede that the expanded suburban vote represents a G. O. P. gain.

"There's a new group in suburbia today," Mr. Harding says, predicting that economic issues will play a key role in next year's campaign for Congress.

As far as the impact of new voters in the 18 through 20 group goes, Mr. Scammon believes their decisions on candidates will be determined in great measure by family traditions and racial, ethnic and socio-economic backgrounds, rather than specific issues.

But many Democratic candidates will continue to believe that they will automatically attract the new voters with a youth-oriented, liberal approach. And many Republicans will continue to believe that the way to control of the House of Representatives lies through the suburbs.

Both theories are in for a historical test in 1972. **END**



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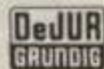
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Gunnar Myrdal Talks About Troubles in "Utopia"



Way-out welfarism and unionism have produced a smorgasbord of troubles for the Swedes, and many of them are having second thoughts about government goodies and how they're consumed

STOCKHOLM—The impossible happened in the welfare state of Sweden not long ago.

Tens of thousands of Swedes—professionals, including judges, doctors and teachers; various white collar workers, including municipal employees; and railwaymen—went on strike.

It was class strife in an egalitarian society and it came at a time when taxes were incredibly high and when inflation in a nation so often called "Utopia" roared up and up and up.

As springtime arrived, it was obvious that changes could be expected in Swedish welfarism, and in the public's attitude toward unions.

One man who saw a need for changes was an architect of this welfare state: Gunnar Myrdal, the internationally renowned thinker and economist. In his small office near the top of a Stockholm skyscraper, he talked to a NATION'S BUSINESS editor about his views.

Much of what Prof. Myrdal said applies to the United States, for the

STERLING G. SLAPPEY, author of this article, is Senior Editor of *Nation's Business*.

two countries are alike in numerous ways. Many Americans feel their nation is moving down the road Sweden has already traveled.

Prof. Myrdal, author of "An American Dilemma," "Asian Drama," "The Challenge of World Poverty," "Beyond the Welfare State" and other books, emphatically made it clear he does not want to disassemble the welfare state in his homeland.

But he also made it clear he feels there can be excesses in welfarism, as he discussed:

Handouts. He's against the welfare check for those who can work, he said. "Instead, every person should have a job, for without a job there is no dignity." The welfare situation in the United States "is scandalous, just horrible. It must be changed." When welfare recipients are given cash, in many cases all they do is get "bigger automobiles and fancy dresses. These problems are too deep, brother, to solve with cash."

He has deep "reservations about the American guaranteed income plan."

Instead of cash welfare handouts,

Prof. Myrdal said, "aid in kind should be provided—better schools, hospitals, parks. Housing must be improved. Day nurseries should be built so mothers can go off to jobs." And, he said, family planning aid must be provided.

Happiness. Welfare state aid, Prof. Myrdal said, often fails to create the happiness and contentment it is supposed to. No country, certainly not Sweden, "is a picture of paradise. Here the lion is not beside the sheep."

Greediness exists in the welfare state. There is always agitation for lowering the retirement age and "everyone wants the road in front of his home paved. People want more nurseries, more hospitals . . . more and more."

When people have to line up to receive payments, "they are angry."

At the same time that people are demanding more benefits, they are complaining about high taxes. "The people must realize they can't get something for nothing."

Bureaucrats think they know more about what a citizen wants than the citizen himself does, Prof. Myrdal



Well-to-do businessmen's wives who have no jobs have been criticized for not contributing to the Swedish welfare state. They criticize right back. Thousands demonstrated recently, partly to protest the high taxes their husbands must pay. Marches such as this one in Stockholm were called "luxury demonstrations." Besides taxes, the signs protest too-few day nurseries, not enough recognition of housewives as "professionals" and downgrading of motherhood.



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Gunnar Myrdal Talks About Troubles in "Utopia" *continued*

added. He recalled how bureaucrats tried to tell his uncle in Dalecarlia (a central Swedish province) "where to put the doors in his house" after the uncle got a state loan for reconstruction.

Clashes between classes. Since the Swedish welfare state reduced the range in income between the highest and lowest paid workers, between upper, middle and lower classes, sharp frictions have developed in a society where everyone supposedly is to be made equal. Extensive strikes among middle-class white collar union members grew from these frictions.

"The middle- and upper-class union members must come to their senses," Prof. Myrdal said. "They create trouble for everyone. It's become a class struggle with the academics [university graduates] and civil servants seeing the lower classes creeping up on them and not liking it."

Miscalculations have been made in Sweden on attitudes of union members. "We thought the upper- and middle-class unions would show as much respect for society as lower-class unions have, but this was a mistake." When white collar and professional people struck, Prof. Myrdal said, it was a case of a few men being in a position to stop everything. "This was their freedom, but non-freedom for everyone else."

He called for disbanding Swedish unions of professionals and university graduates and for denying Swedish Army officers and a wide range of government employees—including judges, teachers, municipal workers and railwaymen—the right to strike.

Inflation. Ballooning costs throughout the economy are among Prof. Myrdal's greatest worries. "Inflation is upsetting for everyone. It's hell for every society."

The situations here and in the United States are alike in that all political parties compete in offering more and bigger welfare benefits, Prof. Myrdal said. This, he added, is as true of Democrats and Republicans as it is of leaders of Sweden's Social Democratic, Liberal, Conservative, Centre and Communist parties.

Too many people in a welfare state look upon the state as an employer,

Prof. Myrdal said. "They forget the state is all of us."

To put Prof. Myrdal's thoughts in context, an examination of the Swedish welfare state should be made.

Free—at a price

Children under 16 receive nontaxable allowances. Nearly every kind of health care (some dental care is excepted) is provided free for youngsters. Nurseries, nursery schools, leisuretime centers and camps are free or provided at vastly reduced costs. Child welfare officers stand by with copious advice.

Free education is available at universities as well as at lower-level schools. Most school meals and supplies are free. School travel allowances are paid out. There is a tremendous range of educational grants, the size depending on family income.

Though there is practically no unemployment, the government has special employment services that provide job opportunity news, training, and transfer grants.

Young people who aren't well off can get loans for furniture. The man and woman don't have to be married; just living together will qualify them.

Every mother receives a maternity allowance, with extra money paid for twins. Medical needs including services of midwives and stays at maternity hospitals are provided free. Family guidance centers offer young mothers plenty of advice. Some dental services are provided. If a prospective mother wants an abortion, it's hers.

Tenants with children get help in paying their rents.

Old age pensions of one kind or another cover just about everyone. Supplements are available to boost income of the elderly. Social and home help of many kinds are given the aged and handicapped.

A woman who feels the need of a holiday can get government aid if her income does not go above a quite-liberal figure.

Illness and accident benefits are nearly all-covering. Disabled citizens, including those disabled by too much whiskey, can get considerable help, depending in many cases on their abilities to pay part of their bills. Several programs help the family

whose breadwinner has passed away.

Paying for all of this, and more, has made Swedish taxes mountain-high.

A person earning \$10,000 a year pays up to 46 per cent in direct national and local income taxes, plus another 15 to 20 per cent in sales taxes and other levies. A Swede making \$20,000 a year pays up to 54 per cent in income taxes, with numerous other taxes heaped on top of that. A value added tax on appliances and large items such as cars or boats amounts to 15 per cent of the cost of the item.

As welfare benefits have expanded and taxes have gone steadily higher, the Swedes have been beset by fearful inflation. Customarily, it has raged at an annual rate of 7 per cent.

After years of constantly cheapening money, Sweden has become a very expensive country to live in, or visit.

The spice out of life

Welfarism has, in the opinion of many people, taken much of the spice out of life in Sweden, as the citizenry has leaned so heavily on the state.

Swedish culture increasingly has become a matter of imports from more imaginative populations.

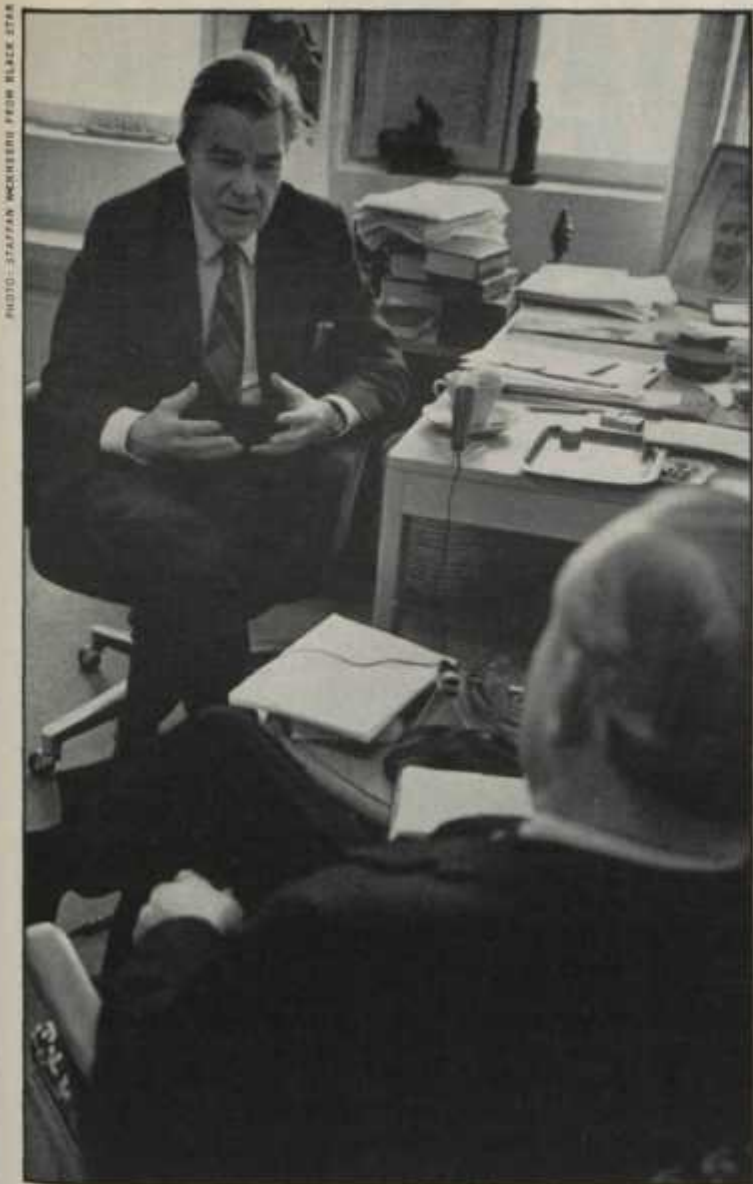
Until the divisive issue of the strikes last winter, Swedes found few domestic matters to get excited about. So they have spent large amounts of time worrying about other people's problems, including the Viet Nam War.

They have made big productions of shipping aid to the Viet Cong, and to Castro's Cuba. They also have delighted in listening to speeches by U.S. servicemen who have deserted.

Virulent anti-Americanism, which grew partly from the fact that life was so placid, even took the form of trying to degrade the American ambassador, the distinguished Negro, Dr. Jerome H. Holland. (Sweden's brand of neutralism has found little favor among her neighbors, Denmark and Norway. Unlike the Swedes, both are members of NATO and seek Common Market membership.)

Prof. Myrdal took note of the blandness of Sweden's society:

"Society does not need rebels and ardent reformers any longer, and neither does it have any place for the diehard philosophers of reaction. It has, instead, use for large cadres of practical tacticians, organizers and



Prof. Myrdal, 71, constantly uses his hands while talking. He is reminiscent of a symphony orchestra conductor as he waves away one thought, and jabs another one home. His English is letter-perfect, although accented.

bureaucrats. Most potential intellectuals are now being drawn into these cadres early in life.

"Their adventurousness is calmed down, and they seem to be happy to be engaged in practical matters. But, of course, not all react in this way.

"I will honestly confess that to me, personally, Sweden has become somewhat boring, while I feel excited about America, the underdeveloped regions and most other countries where there are staggering problems and spectacular struggles to wage."

Prof. Myrdal, who owns stocks in U. S. companies and whose son-in-law, Derek C. Bok, has been named

the next president of Harvard, is anything but anti-American. He visits America six or eight times a year, lectures regularly at universities and admits he often works more with America than with Sweden in mind.

He warmly greets American visitors at his Institute for International Economic Studies—part of the University of Stockholm.

With his tremendous imagination and his wide-roving mind he is as free with his conversation as he is frugal with his cigarettes (he takes a few puffs, stubs out the cigaret carefully and later fires it up again).

He's candid about his country,

which he obviously loves dearly, and there is one particular thing which irks him deeply. It is to repeat the canard that Sweden has the world's highest suicide rate. It doesn't. Several other nations have a much higher rate.

Prof. Myrdal comes on strong when a visitor casually asks just what the Swedish government has nationalized recently.

"Nothing," the professor fires back. In fact the tobacco industry is being denationalized.

Most of Sweden's economy has always been in the private sector, though there is far more government ownership than in the United States. There is nationalization, for example, in transportation, in the liquor industry, and in several smaller industries in Lapland, where it is so cold and sparsely populated that private capital is hard to come by.

Generals on the picket line?

With Army officers and even clergymen in the ranks of unionists, Sweden presents a spectacle of vastness not only in taxation and welfare benefits, but also in unionism.

However, except for an occasional rather minor flareup, there was labor peace until just after Christmas, when big trouble broke out.

Middle- and upper-class unionists wanted large pay increases which would put them once again well ahead of lower-class workers—a position they were losing as the welfare state constricted wage differences. The government offered raises one third the size of those demanded.

One of the most agitated unions was the Confederation of Professional Associations. Other highly irritated unions included those representing white collar salaried employees, teachers and highly paid civil servants.

Strikes broke out across the country. Schools were closed. Courts shut down. Trains did not run; dispatchers sent themselves home.

In the midst of it all the government toyed with the idea of barring 3,000 unionized Army officers from military bases. This would have forced the officers' union to pay them weekly sums equal to the strike benefits paid other members of the same

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Gunnar Myrdal *continued*

union who had walked off civilian jobs. This, the government said, would break the union financially.

At the last moment the government backed off, though some military maneuvers were canceled in anticipation of an official lockout.

Besides saving government face, the change of plans saved innocent officers from being stranded outside bases which they would not have been able to enter. They could not have caught trains home either, of course, because the railways were struck.

Thoughts of the future

Clashes between the classes set Swedes to thinking about problems and alternatives.

Staffan Burenstam-Linder, member of the Riksdag (Parliament) and deputy head of the Conservative Party, said that if a non-Socialist government gets into power, there will be few major, immediate changes in the direction of government.

"But," he said, "small changes in direction amount to large changes. Like a ship, a small change in course, if maintained, means you are many degrees off the original course."

"We would encourage private savings, more private home building and ownership, more holding of stock in companies. This would leave more money in the hands of people who earn it."

Mr. Burenstam-Linder said the Conservatives are pressing for adoption of a scheme to encourage private saving. The plan would operate generally like this: A Swede who puts away as much as 2 per cent of his salary annually for as long as five years would be given a sizable deduction off the amount of income he declares on his tax return.

The Social Democrats, in power for nearly four decades, have in recent years lost their majority in Parliament and now hold onto the government only because Prime Minister Olof Palme gets the Communists to vote with them. The Palme government could well topple within a year. Mr. Palme, who got part of his education in the United States, is so unpopular in Washington he was not invited to the White House during a visit last year.

A government official from Mr. Palme's side of the political spectrum also looked ahead for Sweden.

Bror Rexed, chief of several welfare services, said he feels that taxation is near the ceiling, that the government probably can't collect much more than it now does. At the same time, he said, refinements can improve good programs and new programs can replace poorer ones. More women can be brought into the working corps and a larger percentage of the almost automatic 4 per cent annual expansion of the Swedish economy can go toward paying added costs, he said.

One government official who wished to remain anonymous said some of the present discontent was caused by local programs which promised more to the people than could be delivered.

Another problem, he said, is that "we are educating many youths just so they can be educated." He added:

"Sweden possibly cannot afford some of the social programs it has. We know full well there are many poor people who cannot afford the new, low-cost housing we're building for them. Too much of their income already goes to the state for welfare."

"Something is wrong and we must reconcile the money we pay to house these low-income people with the money we must pay workers to put up the houses."

"There are many people in Sweden who feel we have gone too far and this is a cause of some of the strikes we're having."

Does all this indicate anything for America? Probably.

As Prof. Myrdal put it: "You're already more of a welfare state than some Americans think." He noted that "President Nixon has done some things along these lines recently," and recalled President Johnson's Great Society as being recognition of the welfare state as a national goal.

Prof. Myrdal, however, made it clear once again that he doesn't favor leaving the welfare road—only changing some of the travel methods.

America, he said, should clear out poverty pockets, and bring people up from "slum-mindedness," by spending an extra trillion dollars in the next decade.

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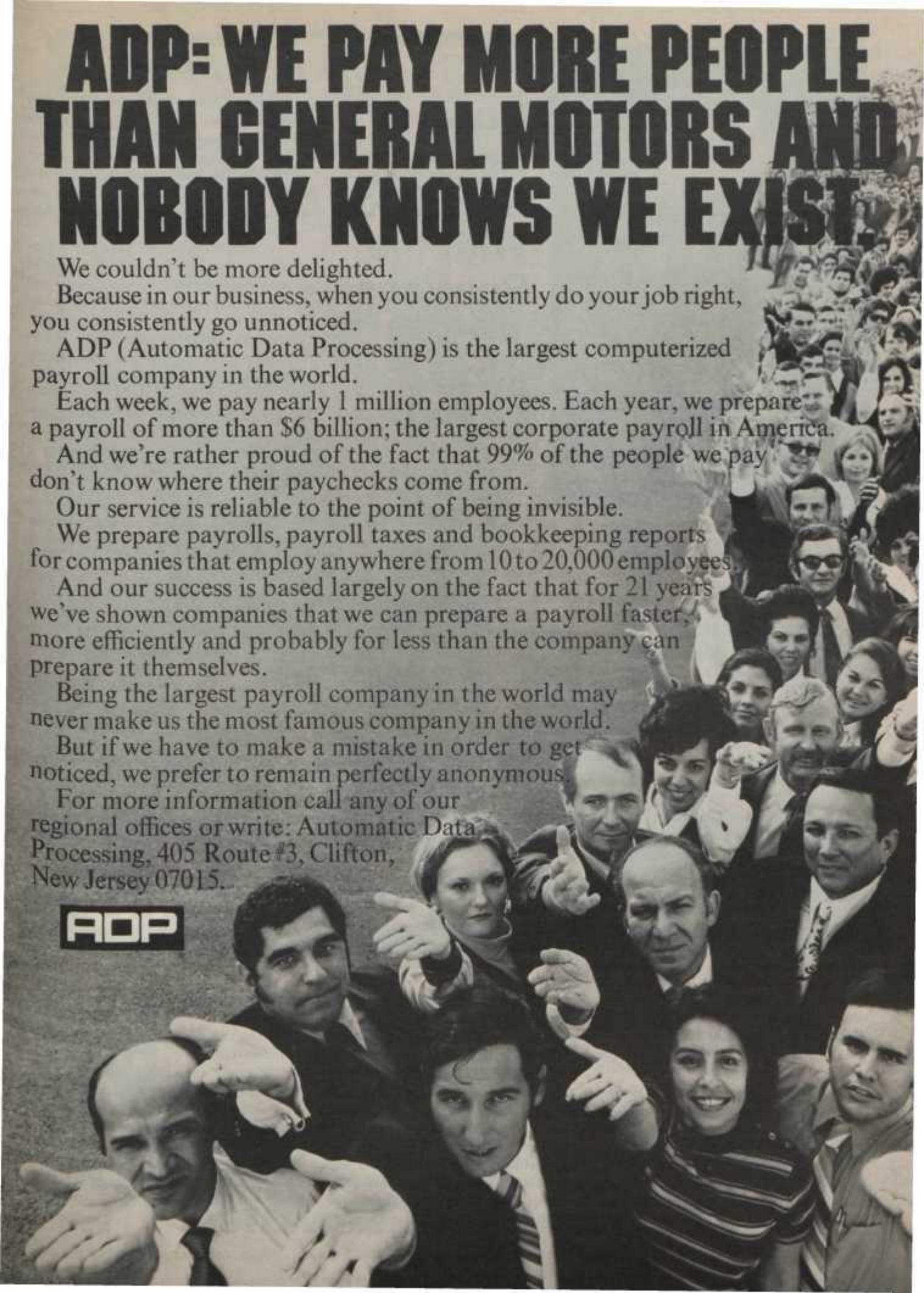
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How Not to Negotiate With the Russians

BY SEN. HENRY M. JACKSON

In Paris, Viet Nam talks drag on; SALT negotiations proceed at Helsinki and Vienna; the status of Berlin is under discussion; there is diplomatic jockeying over a European security conference; and talks about a Middle East settlement go forward.

Clearly, international negotiations are the order of the day.

If we handle such negotiations effectively, we are able from time to time to act together with the Soviets in ways consistent with our own interests and purposes. Certainly, Americans want to identify areas of common or parallel interest with the Soviets.

Yet negotiating with them is a most complicated process, and Moscow's objectives and tactics create enormous difficulties. Negotiations would be hard enough to bring to a successful outcome if those on our side handled themselves skillfully. That is very often not the case.

Watching America conduct its

SEN. JACKSON, a Democrat from Washington, is now conducting the first major Congressional inquiry into the problems of international negotiation. He is chairman of the Senate Government Operations Committee's Subcommittee on National Security and International Operations.

foreign affairs, I've seen blunders lead to missed opportunities and serious setbacks to the national interest, including unnecessary wars.

Here, for the benefit of those who want to avoid these pitfalls, is a "Bungler's Guide to International Negotiation"—or "How to Botch the Talks."

1. *In approaching a negotiation, the born bungler will discard in advance any proposal he thinks the other side will object to.*

As the American government formulates its position on an issue, it often happens that a possible proposal is scrapped as being "unacceptable" to Moscow—even though the idea has much to recommend it from the U. S. point of view. Since a proposal obviously can never be accepted if it is never submitted, the effect of ruling one out as "unacceptable" is to guarantee its unacceptability.

There is the possibility, however, that an adversary can be brought to change its evaluation of what is acceptable as a negotiation proceeds. It is, after all, one of the main purposes of negotiation to persuade the other side to change its mind about what is an acceptable outcome.

The Austrian State Treaty is a classic case in point. We and our allies

remained firmly committed to a free Austria and we pressed the Soviets with proposals that were "unacceptable" from their point of view. Finally, in 1955, the Russians decided it would also be to their advantage to end the occupation and partition of Austria.

Another important postwar agreement with the Soviets—the partial nuclear test ban (i.e., it does not cover underground tests)—was realized after some five years of negotiations, although part of U. S. officialdom had classified the partial ban as "unacceptable" to Moscow.

2. *The perfect patsy will banish from his mind any ugly suspicions about the intentions of the opposing side.*

Ignorance of the other side's real intentions is obviously no help in negotiating. But understanding these intentions does not necessarily augment trust and make your task any easier. America's decision to enter the Atlantic Alliance did not result from failure to grasp what the Kremlin wanted. We needed that defensive alliance because the Kremlin's designs on Europe were crystal clear.

Averell Harriman tells how—at the Potsdam Conference in 1945—he said to Stalin that it must be very gratifying for him to be in Berlin, after all the struggle and tragedy. Stalin replied: "Czar Alexander got to Paris." As Mr. Harriman adds: "It didn't need much of a clairvoyant to guess what was in Stalin's mind."

Moscow may now share the common interest of avoiding a general nuclear war. But it does not follow that Moscow wants all-out peace. There is much room for maneuver between trying to avoid a nuclear holocaust and seeking a genuine peace.

The Russians know it.

Leonard Schapiro, dean of Soviet studies in Great Britain, stated the matter this way to our Senate subcommittee:

"Soviet policy is unremittingly dynamic. It is not directed towards achieving equilibrium, or balance of forces, or peace, or collective security. . . . Its ultimate aim is 'victory,' which means communist rule on a world scale. However unrealistic this aim may seem, it is the case that it has been thoroughly inculcated into



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How Not to Negotiate With the Russians *continued*

the minds of all Soviet leaders from Lenin onwards for over 50 years. . . .

"There is no time factor attached to this ultimate ideological aim—in contrast in this respect, say, to Hitler, or Genghis Khan. And so . . . the Soviet Union seeks to advance wherever this is possible, to gain one advantage here, and another there, and to move forward or halt as advantage dictates. . . ."

Understanding Soviet intentions today, far from diminishing concern, arouses it. What the Kremlin wants—if it can get it—is not in the interest of the Free World and the future of individual liberty.

3. The truly timid negotiator will not want to embarrass the other side.

If it comes to light that an adversary is guilty of bad faith, you can make a lot of trouble for yourself by hiding the truth about it.

A classic example of how not to deal with the Russians was the U. S. response to the Soviet and Egyptian violations of the Mid-East cease-fire. We were taken to the cleaners in that August, 1970, fiasco.

No sooner had agreement on the military standstill been achieved than the first Soviet-Egyptian violations occurred. We saw the violations taking place. By failing to corroborate them, the State Department invited still further illicit movement of surface-to-air missiles into the prohibited zone.

The fact that we turned our backs on gross violations of an initiative proposed and arranged in Washington, and concurred in by Moscow, can have the effect of encouraging the Soviets to deliberate deception and greater boldness elsewhere.

U. S. officials should know by now that the consequences of telling the truth about Soviet bad faith will be easier to live with than the consequences of not telling it.

4. The brilliant bumbler will signal the opponent that he is desperate to get some kind of agreement, especially for domestic political reasons.

In adversary relations the appearance of overeagerness is bound to stimulate stubbornness and intransigence on the other side.

When top U. S. officials give the impression that some arms control

treaty or agreement is indispensable to them they make it enormously more difficult for the American negotiating team to strike a favorable bargain in the talks.

We should not negotiate any agreement just for agreement's sake. We should vigorously pursue arms control agreements that can add to the stability of the strategic balance, while rejecting proposals that have a built-in incentive to instability. What we really want are agreements that will reduce the risk of nuclear war; and this means careful agreements which are extremely difficult to contravene and which confer no destabilizing advantage.

What security exists in the world today depends on the delicate balance of military, political and economic forces.

As the Soviet Union reaches parity (or more) with the United States in strategic arms, its leaders are likely to become more energetic in trying to spread Soviet influence and more willing to run dangerous risks in the international arena.

Those who live in freedom are able to do so only under the shelter and power of ourselves and our allies. This is a grave responsibility, and while we strive for sensible and salutary arms control agreements, we must not imperil a stable Free World deterrent.

5. The gregarious sap will put a premium on being popular with the other side.

A persistent danger of all diplomacy is what Harold Nicolson called "the human difficulty of remaining disagreeable to the same set of people for many days at a stretch."

If you have obstinately refused on Monday to agree in a matter pressed by the other side, you may be tempted to be less stubborn than you should be on Tuesday when a wholly different subject is under discussion. You may ask too little and offer too much.

Popularity-seekers seldom make good negotiators. They are likely to give the wrong signals.

If you are so concerned about being a "good fellow" that you shrink from speaking bluntly when this is called for, you may lead your adversaries to misjudge your forti-

tude, thereby whetting their appetite. What might be appropriate to say on the Senate floor to one's colleagues is not necessarily appropriate to say in talks with top officials in Moscow.

Americans, often great conciliators in working with allies, sometimes lack perseverance in pursuing their cause against a hostile opponent.

6. The eager sucker will try for accord by giving something for nothing.

A sure way to worsen one's problems is to make unilateral concessions in hopes the opponent can be "conciliated" and will return the "favor."

When closely allied nations are engaged in a long-term common effort, there may be enough "community spirit," to use Jean Monnet's phrase, so that an act of generosity on one issue establishes credit on another issue. However, in negotiation with the Russians, a concession without any assurance of an equivalent counter gain weakens one's bargaining position.

The policy of making gratuitous concessions to dynamic powers has been tried in the past from time to time, and the results have been disastrous.

There is the example of the obliteration of Carthage, which had allowed itself to be disarmed by Rome in the hope this would lead to peaceful coexistence. And there is the example of French and British appeasement of Nazi Germany, which led directly to World War II.

Moreover, things given as gifts cannot be traded.

A major and as yet unachieved purpose of the Atlantic Alliance is to reach a genuine, stable European settlement with the Kremlin. Among other things, such a settlement will involve the return of Soviet forces to the Soviet Union. How can the Soviet government be encouraged to move in this direction? Certainly not by our making a substantial, unilateral, and unrequited reduction of American forces in Europe, as some U. S. Senators are urging.

Clearly, NATO should sustain the bargaining position it has worked so long and hard to construct, and actively pursue acceptance of gradual, mutual and balanced revisions in forces on both sides of the Iron Curtain.

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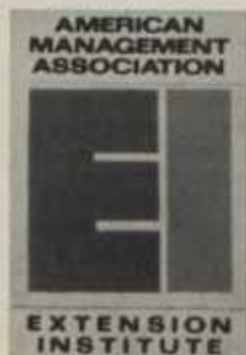
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At the same time, like many another boy in that era, he was intrigued by the magic of wireless—and made his own crystal set.

Those early interests sparked an education and a career that has led H. I. Romnes to the top post of a communications system that is the world's biggest business enterprise in terms of assets, employees and shareholders.

He's now the chairman of the board and president of the American Telephone and Telegraph Co., an organization that:

- Comprises 22 telephone operating companies, plus Western Electric—the Bell System's manufacturing arm—and Bell Telephone Laboratories, which has pioneered in such areas as

communications satellites and solid state technology.

- Has nearly \$50 billion in assets, employs over one million persons, and answers to three million stockholders.

- Operates a communications network that has nearly 100 million telephones and more than one trillion component parts.

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"Hi" Romnes—he prefers to use his initials instead of his given names of Haakon Ingolf, and the nickname follows naturally—is now 64 and has spent his entire career in the Bell System.

His office windows on the top floor of AT&T headquarters on lower Broadway in New York City offer a panoramic view of construction of the World Trade Center, which will be dominated by twin 110-story towers.

The scene is a dramatic reminder of the continuing physical and technological challenges (the Trade Center

will require 50,000 telephones) to the communications industry from both the domestic and international economies.

Mr. Romnes discusses challenges, his company and himself in this interview with a NATION'S BUSINESS editor.

What was your first job, Mr. Romnes?

It was in the bakery my father ran all his life in Stoughton, Wisc., where I was born and grew up. My three brothers, my sister and I all had jobs to do. Mine was in the retail store out front, dealing with the customers.

What kind of a community was Stoughton?

The real reason for its being was its location at the center of a rather good agricultural region. All the other members of the family, on both my mother's and father's sides, were farmers. We were the "city folks" living in a town of 4,000.

What kind of hours did you work?

I started during the noon hour. In a small community, you can get around awful quick between the

H. I. Romnes of AT&T *continued*

morning and afternoon sessions of school. I gulped down a couple of rolls or buns in about five minutes and then had 45 minutes to do the job. Then I would come back after school.

Did this leave you time for sports or other activities out of school?

Not too much. But I'm certainly not looking back on my work as slave labor or anything like that, because it was not. It was a happy family relationship, a family enterprise, and I think my parents did right in having us all involved and paid for it.

What were you paid?

Two or three dollars a week, as I remember. That was a lot of money for youngsters in those days and it made us feel independent. We could buy things like our own bicycles.

How did you make the transition from the family bakery to the field of electrical engineering and communications?

I have been interested in things electrical as long as I can remember. I certainly didn't have the idea of getting into the telephone business. But it did happen that the switching office, the switchboard, of the local telephone company was about two doors from us, on the second floor. They would park their trucks out in an alley, and that's where they had a junk pile, old batteries and wire.

In those days, many telephones had batteries in them, especially out in the rural areas. The ones I rescued from the junk pile were run-down and no longer useful to the telephone company but I could still use them for things like setting up a telegraph line between my house and a friend's two houses away. It is the kind of things kids do—make the best of anything they can get their hands on.

And I was also interested in the radio—we called it wireless in those days. We would make simple little crystal sets. Madison, the state capital, was only 15 miles away. The University of Wisconsin was there and they had one of the earliest radio stations. They broadcast in code at first, but they were experimenting with the transmission of speech and, being nearby, I could hear them on my crystal set.

So I did have these interests that led me to study electrical engineering.

You studied it at the University of Wisconsin, didn't you, and didn't that bring you into the Bell System?

Yes. In the summer of 1927, between my junior and senior year, I worked for the Wisconsin Telephone Co. Companies hired promising students for summer work, to look them over and also arouse an interest in the students in coming back to work for them.

What kind of work did you do?

Part of the time I was a telephone installer. For the other half of the summer, I worked on a construction job laying underground cable.

What happened when you graduated?

I made up my mind that I was going into the telephone business but I said right up to the last minute it would be right there in Wisconsin.

But that's not how it worked out?

No. When I got an offer, it was not from Wisconsin Telephone Co. but to go to work at Bell Telephone Laboratories in New York City.

How did that strike you?

The offer was a surprise and my inclination was to reject it and apply to the Wisconsin company, where I was pretty sure I would have been hired. But some people, professors I knew, told me: "You are just nuts if you reject an offer to go with Bell Laboratories. It's one of the great laboratories in the world."

That kind of talk made me say, "O. K., I will give it a whirl," and I went to New York.

What was your first major assignment at Bell Labs?

It had to do with long distance telephoning.

At that time we could talk across the country—that first happened in 1916—but a good part of the way you had to use open wire, because the amplifier wasn't really well enough developed to permit the use of cable for transcontinental distance.

So one of my first jobs was in helping to perfect the amplifying arrangements for long distance so you could

use cable all the way across the country. These amplifiers were put in at intervals of 50 miles, more or less.

A new cable had been built south of Washington to Atlanta. The Depression had come along by this time and our business wasn't growing very fast, so we had quite a few spare pairs of wire in the cable. We hooked these pairs together to form loops, thus simulating cable pairs 4,000 miles across the country. We used that as our experimental laboratory as we perfected the amplifying system.

How long were you in the laboratories?

Until 1935. Then the company suggested they would like to have me come down here to 195 Broadway, in the Operations and Engineering Department.

If you chart your career on a graph by years and promotions, it seems to move up directly at a 45-degree angle. Was it as easy as it looks, or were there some plateaus?

There were some plateaus. I came here to headquarters in 1935 and my first supervisory job came along 10 years later, at the end of the war, in 1945. I then moved through a dozen assignments at AT&T headquarters, Illinois Bell, Long Lines Division of AT&T, Western Electric and back to AT&T as vice chairman, then president and, in 1967, chairman.

You are an engineer and your predecessor was, too. Does this mean it takes an engineer to run the Bell System?

Not necessarily, but we are a highly technical business and the people at the top must at least be technically literate. A big part of the job is overseeing our research and development work. As you may know, we probably put more into basic research—or pure research as some people call it—than any other private business. And it's paid off—with inventions like the transistor.

But no one man could hope to keep up with all the aspects of communications technology. The important thing is to know enough to sense the potentialities of new developments and to help steer them in the right direction. To me this means applications that will make communications

more convenient and more useful for more people.

What is your concept of the type of leadership needed to direct a company as vast as yours?

The first thing you learn as you go along is, of course, that you have to delegate. You can't possibly make all the decisions. It is just too big, too widespread.

One man can't know the right answers to every problem, because he can't possibly have all the facts or all the considerations involved. That means, of course, that you have to pick people in whom you have confidence, who have gone through the hoops and have a lot of experience and have demonstrated good judgment. And then you have to give them the authority to make decisions.

Sometimes you have to bite your tongue after they *do* make decisions and those decisions don't make sense. In those cases you talk it out and try to learn why they went in a certain direction. But you can't dictate—unless you want to make all the mistakes yourself.

That doesn't mean there aren't some decisions that just have to be made at the top.

What type of matters come to your office for decisions?

Certainly I have to make a lot of decisions as to people, whom to put in charge of this and that. That is one of the big problems, choosing the people who are to carry on. But even there, thousands of promotions are made around the Bell System that I couldn't possibly become involved in.

Then, in order to see how things are being run, I have a tremendous amount of information fed up to this office about the performance of the System, how each company compares with the others.

The decisions that come to me are those which involve the whole system.

But the important thing is a sense of shared responsibility for results on the part of all the people at the top of the business. That's why I meet frequently with the presidents of the Bell companies together with the top officers of AT&T.

We talk about our problems and our opportunities and make sure everybody is operating on the basis of

the same information. And we set our goals in the same way—together. I've found that people will work a lot harder for a goal that they have had some say in setting in the first place.

You must have to take a tremendously broad view.

Yes, it is something you sort of look at in bulk; you look at the over-all operations. But I think even a person in my position has to have the curiosity to dig into certain parts of the operation and not do everything in a broad-brush way.

What might be an example of that?

We get over-all measures of the quality of service that a company is providing. You can compare these things in bulk. But you have to remember that, when you look at an average, it can conceal some pretty bad spots. You can drown in a creek with an average depth of six inches! You can't let the averages fool you.

How do you get behind the averages and see if they are concealing some bad spots—for example, of a particular operating company within the system?

You have to dig in once in a while and say: "These results look fine but this company operates through several states. Now tell me a little about what is happening in each state. And then I want to know what is happening in a particular city."

Maybe I have begun to receive a few letters or hear in some other way about what is going on in a big city that doesn't show up in the averages.

All this may require me to start boring in on things that might seem trivial for the chairman of the board to be interested in, like operator service in a particular community. But you begin to learn a lot of things from digging into detail.

One of your biggest problem areas in recent years has been the quality of telephone service right here in New York City, hasn't it?

There are many facets to the New York problem. Unanticipated growth is certainly one underlying factor. A few years ago, it seemed as if New York had become sort of a mature city; growing, but not rapidly—sort of steadily and predictably. Equipment

was being put in on the basis of those predictions.

Everything we do, you know, has a very long lead time; you have to anticipate what you are going to need two or three years hence because it takes that long to engineer, build and install a switching office or a big cable project.

Things appeared to be going all right, then?

Yes, but then a number of things happened suddenly.

One was a surge of trading on the Stock Exchange—up to 20 million shares a day, while not many years ago we thought five or six million was a good day. I am sure there is some sort of mathematical relationship between the number of shares traded and the number of telephone calls.

Then this back-room trouble developed on Wall Street and they shortened the working day. Then they suspended trading on Wednesdays. So the telephone calling periods were compressed into sharper peaks. A characteristic of our business is that it's the peak for which we have to build plant—even though it may be relatively idle for most of the day.

Other things happened. A new welfare rule allowed for payment of telephone service, which was not previously covered. The result was a surge in demand for service in areas which previously had slight demand. Also, calls were numerous and lengthy on these added phones.

And all this was happening during a labor shortage?

Yes, the demand for the kind of people we needed as craftsmen, operators and clerks was just skyrocketing.

We had to hire a lot of people in a hurry and the experience level in our force went down. And some of our new people didn't have the background for our work without a lot of extra training. And training takes experienced people.

It really came on like an avalanche, you see, and we have been digging out since. All of these things I have been telling you are not intended to be excuses. On hindsight, these are things that might have been done better, might have been better antici-

H.I. Romnès of AT&T *continued*

pated. But we certainly intend to correct these shortcomings—and we're not going to stop until they are fixed.

Recently you reacted quite strongly when the Equal Employment Opportunity Commission intervened with the Federal Communications Commission and accused AT&T of discrimination. Can you tell me more about that?

It just didn't seem right to me—and it still doesn't—for the EEOC to single out an organization like ours that has been working very hard for a long time to make equal opportunity come true.

A great many people in our organization have really committed themselves to this effort in spite of all the difficulties and they must wonder whether it has all been worthwhile. I have been personally involved with equal opportunity for a long time and I think we have made real progress.

The Bell companies employ more than 128,000 nonwhites in all job categories. That doesn't mean we think we're perfect. Any organization as large as ours has its weak spots. We need more nonwhites and more women in middle and upper management, for example. But we are working on that and we are going to keep on working.

We have been hiring, and will continue to hire considerable numbers of the disadvantaged under the programs of the National Alliance of Businessmen. We must, it seems to me, provide these people with the means to become proficient, both for the sake of the service we provide and for the employees themselves. We must offer them the opportunity for achievement and the pride that comes with excellence.

And this doesn't just apply to the disadvantaged. Our business has a history of commitment to quality, and I think perhaps the most important job our management people face is to instill this idea in all the youngsters who are coming along. And, in the process, to make sure that the work will, in itself, be stimulating.

Getting back to the company as a whole, you realigned your top management with the goal of giving as

much concerted effort to what you called the "human dimensions" of the business as to the economic and technological dimensions. Would you elaborate on that?

Setting up a new organization doesn't mean we have suddenly discovered that people are important. People have always been important in our business and down through the years the Bell System has done quite a bit of pioneering on the personal side as well as the technical side—in things like training and management development.

But by establishing an organization under an executive vice president we can be sure that "human affairs," as we call them, are given explicit consideration at the top of the business.

A number of factors went into our decision to set up this new organization. We have over a million employees now and we'd like every one of them to feel that how well he does his job makes a real difference. The incentives we offer employees, the way our jobs are structured—whether they're just routine or offer a real challenge—all of these things can make a big difference in the way our people serve the public.

Then, too, there are many new people in our business who just haven't the background to do a good telephone job. They want to do a good job but it takes special training and attention to show them how—so they can experience the satisfaction that comes from real accomplishment.

Our new human affairs organization includes a Department of Environmental Affairs that concerns itself with the impact of our business on the communities we serve and vice versa.

Our business doesn't contribute to air or water pollution problems to any great extent, but we do have cables and wires on poles that some people might say contribute to visual pollution. We're putting our plant underground wherever it is economically feasible—just as fast as we can. We are also giving a great deal of attention to the design of our buildings.

This Department is concerning itself with city problems, too. We are a city business and how well we do depends in the long run on how well our cities do.

We are looking into many things,

like whether we could attract more competent women to work for us if we had day care centers for children.

Education is another concern.

We found in our New York City hiring experience that so many young people can't read with understanding. So Walt Straley, who is the head of our Environmental Affairs Department, has concerned himself with finding better ways to teach people to read with understanding, and he now, as an extracurricular activity, also heads the President's National Reading Council.

As part of your approach to the "human dimensions," you have said that employees should have the opportunity to exercise more initiative. What are you doing along that line?

If people enjoy their work they will do it better. With our "Work Itself" program we are trying to make jobs more interesting by enlarging responsibilities, getting away from the fragmentation where you feel you are only doing a little piece of a job but don't see the whole.

One area where this concept was applied early had to do with the girls who correspond with our three million stockholders. Two million own a hundred shares or less, so they are small shareholders, often not knowledgeable in ways of finance. They have problems that arise, like how to transfer stock in case of death, and they write or telephone us and we try to give them helpful answers.

Now, you can make that a routine task—have girls fill out forms and form letters and send them up the line a couple of notches to be signed by some supervisor.

Or you can sit down with the girl and tell her: "This person is your customer. He has written to you for help. You deal with him. It is your responsibility to make him happy. Do what you think is right. Call him if you think that is best. If you write him a letter, you sign it, don't check it out with any supervisor."

It was so clear that the people did enjoy the over-all responsibility. They did a better job and we got compliments from the stockholders. We have great hopes for this sort of approach in a great many of our jobs.

I call it craftsmanship, when it

80% of the scientists who have ever lived are alive today.

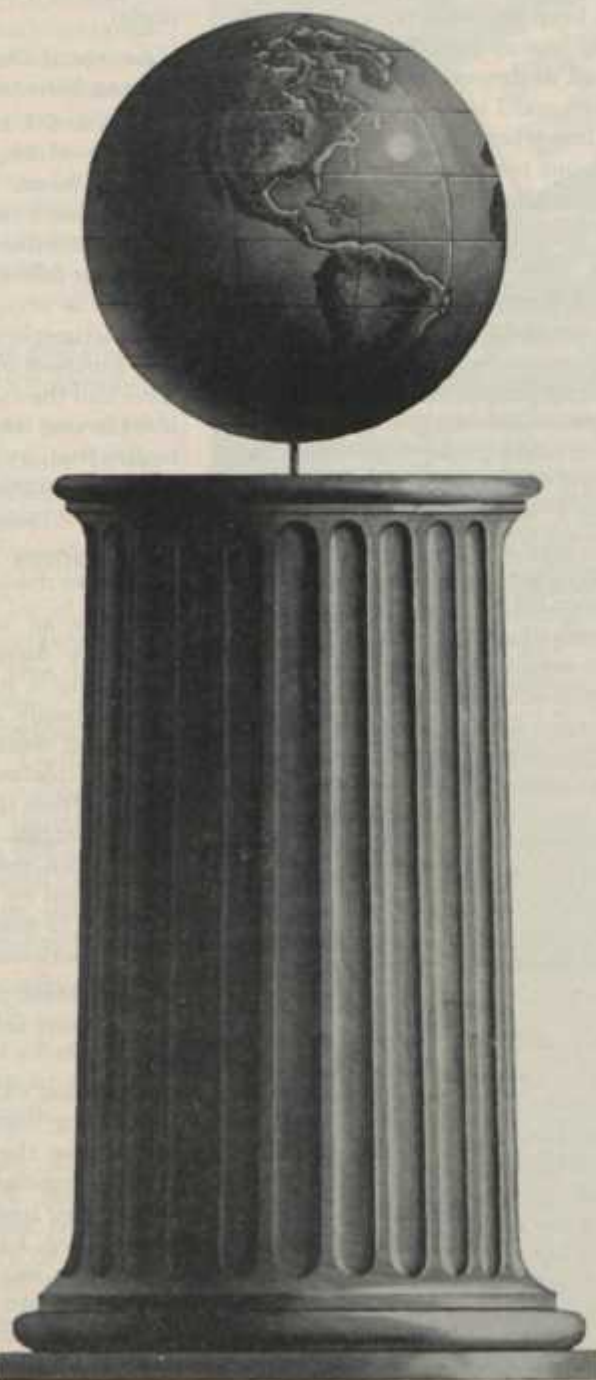
This means that most of man's scientific knowledge is new knowledge, requiring new equipment, techniques, trained teachers. It means more classrooms for more college students than ever before if they are to learn more than ever before.

Putting this new knowledge to work can even mean our survival.

College is where the questions of our future will be answered. Everybody's future.

It comes down to this: quality education for the future takes money.

Join the future. **Give to the college of your choice.**



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H. I. Romnes of AT&T *continued*

comes to things of a craft nature, but it applies to other work, too.

Do you think we have downgraded the idea of craftsmanship by putting too much emphasis on college education?

Yes, I really do think so. We need to pay more attention to our vocational schools and technical institutes and we should tailor education more to needs.

William Ellinghaus, our new president of the New York Telephone Co., never went to college and I would consider him well educated. He is a good thinker—an understander. His education came in the process of doing his job.

Like the heads of other major corporations, you have been the target of demonstrations protesting military contracts the company holds. Does this concern you?

Of course it concerns me. A great many people have been deeply disturbed by the war and they think it is wrong for us to have anything to do with the so-called military-industrial complex they blame for the war's continuing. Some of them came to our annual meeting last year and I did my best to explain our position to them.

Our military contracts are mostly for communications and for such communications-related projects as the Safeguard antimissile systems. We didn't seek these contracts; they sought us. In short, the military work we do is that for which we are considered uniquely qualified.

In three different Administrations—the Kennedy, Johnson and Nixon Administrations—I have personally gone to the Secretaries of Defense and said: "Look, this is not a job we are seeking. We have plenty to do. We can use our talents in the communications business. I just want you to know that if at any time you would like to terminate this job or give it to someone else, it will be perfectly all right with us."

But every Administration has recalled that our defense work goes back to World War II—communications, radar, the radar-controlled guns that were used against the buzz bombs over London, that sort of thing. They told us: "For you to back

out now, or for us to dismiss you, would mean we would have to start all over again. You have a lot to contribute."

And we have replied: "All right, we will continue. But just keep in mind that this is nothing we seek."

Some people have said we are looking for a way out of our military contracts because of antiwar protests. That's not true. When our talents are truly needed by the country, we have a responsibility to respond and to do our very best. This we have done and we'll keep on doing it.

The young people especially have pushed us around a good deal on this subject and I am always ready to listen. But when all is said and done, I think our position on defense work is a pretty sound one.

You have encouraged communications between young people and businessmen but said there may be risks involved for both. What kind of risks?

Young people run the risk of discovering that maybe accomplishing this or that cause they have been backing so strongly might not be so simple a matter as they thought, that it will take a lot more hard work and sheer competence than they have the patience for.

Similarly, we businessmen sitting down and talking to young people begin to realize—at least I have felt this way—that, yes, there is something to what they say and we as businessmen ought to be putting a little more emphasis on this or that than we have in the past. Whether young people realize it or not, I think they have really begun to change things. We are much more sensitive about what is happening to the environment.

What's ahead for the Bell System?

Well, I think the growth rate we have been experiencing is just going to continue and probably accelerate, even though growth in demand has slowed down in the last year or so. Of course, we are building on a tremendously big base.

Our revenue is now \$17 billion a year and a 10 per cent growth for us would mean adding \$1.7 billion to \$2 billion a year. That is growth. There aren't many companies whose sales

total what our revenues grow each year.

I think percentagewise we are going to continue to grow faster than the economy as a whole. The reason is that communications are becoming more and more a part of our way of life and also an integral part of industry—particularly industry that is decentralizing. Decentralization means more and more communications.

Then, too, computers generate a tremendous amount of information that must be communicated to be useful.

How about the future of communications between people?

You and I are communicating by speech—which, of course, you can do by telephone. But I am sure most people don't realize how much more communication takes place by seeing the other fellow, as we are doing now.

That is why I think this thing we call Picturephone is going to be a terrific business in the years to come. I have had the experience of living with it for two or three years. You begin to realize that, by gosh, there is an awful lot of communication taking place by seeing reactions.

What's ahead for global communications?

As far as telephone communications are concerned, I think that eventually it will be possible to connect virtually any household in the world, on demand, with any other. It's possible now for people to dial directly from the U. S. to certain foreign countries. Improved communications can mean that people won't be confined by geography, that their capacity to manage on a global scale will be increased.

Do you think the evolution of communications will help pull the world together?

I just don't know, but I'm hopeful. Expanding communications do tend to increase the social and economic activity among nations, and so increase their understanding and interdependence. I think it was especially obvious to our men walking on the moon that we are, on this planet, really one community.

Despite the enormous scope of your job with AT&T, I can count up 33

organizations—business, charities, professional—in which you serve on a board or are a member. Do you have time for them all?

I hold some directorships for a specific purpose. You might wonder why I'm on the board of the Colgate-Palmolive Co. First, I hope I can be helpful. But also they are in a terrifically competitive field, and it is real good for me to see this at first hand.

My bank directorship keeps me in touch with financial developments. I'm also on the board of Cities Service Co.; it has many international operations, and that broadens my outlook.

Then, other things that take some of my time are areas where you are not paid but feel you can be of service. The Salvation Army, for example, is a wonderful organization but they do need help on the business side in raising money and so on.

How about recreation?

Well, I go out on the golf course. When I break 100 I have a good day.

How much vacation do you take?

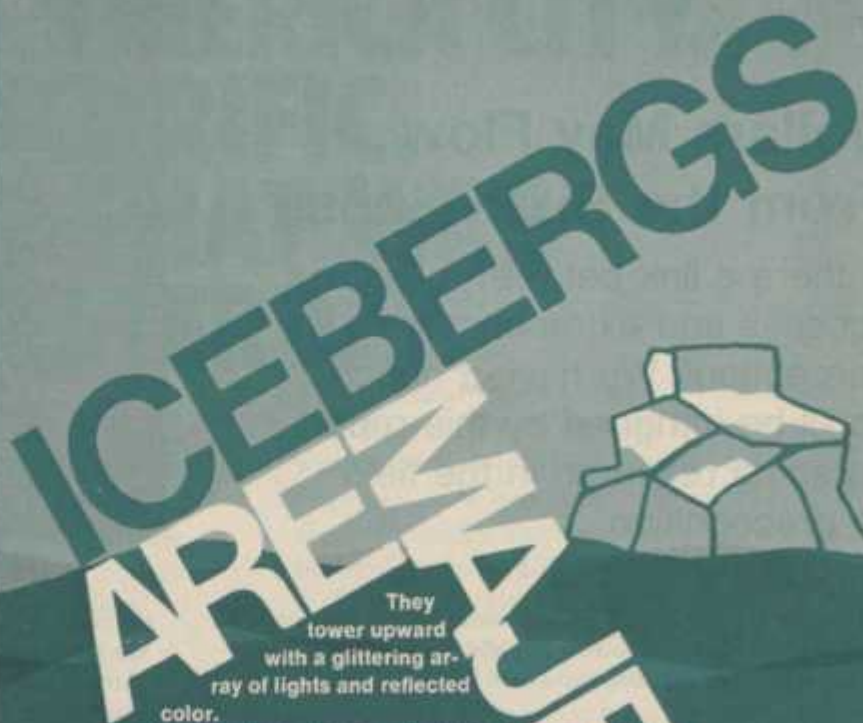
I don't know. You'd have to ask my secretary. It's one of those catch-as-catch-can arrangements. We do have a place in the Pocono Mountains in Pennsylvania which we enjoy very much, and I do a lot of hiking, swimming and fishing up there. I also do all sorts of manual jobs, clearing up dead trees and the like.

I'm a great do-it-yourselfer. I get a lot of kick out of that. I will tackle almost any kind of job—cabinetmaking, carpentry, making things, fixing things. Even something like an automatic washing machine with its timing mechanism. I'll take on something like that and usually manage to fix it.

Are you worried or optimistic about the future of the nation?

Our nation has a lot of problems but I think we are facing up to them and I'm basically optimistic. **END**

REPRINTS of "Lessons of Leadership: Part LXXI—H. I. Romnes of AT&T" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.



They
tower upward
with a glittering ar-
ray of lights and reflected
color.

As they float into shipping channels,
their beauty is admired, but only at
a distance.

Wise men know and school children know
that only a small fraction of an iceberg is
seen. It's what's beneath that really counts
and needs to be taken into consideration.
Similarly, there's more to your chamber of
commerce than may meet the eye—more than
a building or a headline.

Your chamber of commerce has many projects
underway or planned that will surface to assure
your community of a better tomorrow.

PETE PROGRESS speaking for your chamber of commerce

Dollars May Flow From the Sixth Sense

Is there a link between business success and extrasensory perception? We have a hunch you'll be intrigued by this report on some research in the field of precognition

Despite the advent of management information systems and a host of other sophisticated techniques, many executive decisions are still based on good old-fashioned hunches.

They probably always will be.

Middle managers may base most of their decisions on sales orders, shipping schedules and other cold, hard facts. But top managers can't always do this. They may not have enough information to make a totally logical, fact-based judgment on whether to invest several million dollars in a brand-new venture that may not return an immediate profit. So they act partly on intuition.

Less than two years ago, for example, Amerada Hess Corp. and Getty Oil Co. jointly bid \$72.3 million to lease a choice piece of land in the Alaskan oil fields. Their bid won by a scant \$200,000. And it wouldn't have won at all if Amerada Hess's chief executive officer hadn't had a last-minute hunch that the bid should be a little higher.

Moaned an executive of a competing firm: "We got beat by a group that didn't have the information we had." Yet the fact was, none of the bidders had an excess of information. As another oil company executive complained: "We've never been in a lease sale before that involved so many unknown factors."

What's the explanation for the hunches behind many top-level executive decisions? We think it may well involve a form of extrasensory perception known as precognition—literally, the ability to foresee or foretell the future.

We also think that, whether they recognize it or not, many top-level executives possess precognitive powers to an unusual degree. In fact we think these powers may account in considerable part for their success.

This article is by John Mihalasky, Newark College of Engineering associate professor of industrial management, and Douglas Dean, research associate at the same New Jersey institution, in collaboration with Hugh C. Sherwood, free-lance writer.



Valuable talent

DRAWING: CHARLES A. GUNN

Some time ago, we set out to analyze this thesis.

We have tested the precognitive abilities of hundreds of Americans—physicians, students, housewives and, of course, businessmen. The test we give consists of three parts.

The first is a single question aimed at determining the testees' belief in extrasensory perception. Somewhat to our surprise, and perhaps to yours, the results have repeatedly shown that, by a three-to-one margin, businessmen either accept ESP as a fact or as a possibility.

In this respect, they do not differ from other people we have tested. In almost every case in which we have tested men alone or men and women together, the proportion of believers or tentative believers to non-believers has been three-to-one or a little higher. And when we have tested women alone, this ratio usually has jumped to six- to seven-to-one.

The second part of the test is also a single question, which aims to determine the testees' attitude toward time. They are asked which one of five metaphors they prefer.

Psychological researchers have found that people who pick either of two of the metaphors have a dynamic attitude toward time. In other words, they look at time as money, have a go-get-'em attitude, and tend to get a lot done in a day. Those who pick either of two of the other metaphors have a more relaxed, passive attitude toward time and are somewhat inclined to procrastinate. Those who pick the fifth metaphor have a neutral attitude toward time.

Forecasting a computer's choices

The heart of the test is the third part, and we think it is foolproof. Each testee is asked to write out a column of 100 digits. After he has made his choices, a computer follows suit. Selecting on a random basis, it provides a different column of 100 digits for each testee. The two columns are then compared, digit by digit.

The chance that a testee will pick the same digit the computer picks, in matching positions in the columns, is one in 10. Thus for a whole column, each

BIRMINGHAM WAS NAMED AN ALL-AMERICA CITY. TERRIFIC. BUT THAT WAS YESTERDAY.

It's great for LOOK Magazine and the National Municipal League to honor our civic achievements. The judges named us All-America because of significant advancement. In race relations. In youth communications. In making culture a community affair. In battling poverty. Shows what you can accomplish if you work together. Work hard.

Most of all it shows the new spirit of Birmingham. A determination to make good things happen in living . . . learning . . . communicating. It's people involvement. Commitment.

So, we're proud. But you better believe we're not resting on our magnolias. Look what Birmingham's done in recent weeks.

1. Birmingham businesses kicked in \$1 million (in two month's time) to fund a new economic development effort. Now the Rust Engineering Division of Litton Industries has been contracted to survey all industrial parks and sites in a five county area.
2. A brand new Crisis Center is servicing 5,000 calls a month.
3. A Drug Abuse Symposium mobilized community and state resources at all levels to head off the volume of drug traffic disturbing other areas.
4. The new Neighborhood Planning Committee correlates communication between citizen groups and government offices and speeds solutions to health, education, sanitation, law enforcement problems.

5. The Medical Center, already one of the leading health care centers in the nation, will immediately break ground for a dramatic new hospital complex with three specialty towers devoted to cancer, heart disease and diabetes—the only facility of its kind in the world.
6. An \$18 million airport expansion is about to begin. And a \$43 million Civic Center is well under way.

Birmingham has an exciting new spirit. It's really something to see and share. If you're thinking about a new office, hotel, warehouse or plant, consider sharing that new spirit and its rewards. There are excellent locations available.

For researched data on available sites . . . and the whole story of new Birmingham just write:

Don A. Newton, Executive Vice President
Metropolitan Development Board
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BIRMINGHAM ALABAMA

New plants get tax credits of up to 50% a year, for 10 years, in West Virginia



"West Virginia's year-old tax investment credit is dollars-and-cents evidence of the favorable business climate in our state," says Governor Arch Moore. "During the past year a number of major industrial concerns have cited this investment credit as a determining factor in their choice of West Virginia. Because the tax investment credit is granted for a 10-year period, new members of our industrial community can plan ahead with the assurance of total tax stability."

Arch A. Moore, Governor

To increase the profit potential of your next plant, investigate the tax investment credit now available to new and expanding facilities in West Virginia. This business incentive cuts taxes up to 50% a year for 10 years to help make a new plant profitable from the start—to make amortization easier—and to make stockholders happy. Prove for yourself that a move to West Virginia is a wise move. Phone 304/348-2234.

Contact: Lysander L. Dudley, Sr., Commissioner, West Virginia Department of Commerce, Room E-402, State Capitol, Charleston, West Virginia 25305.

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WEST VIRGINIA

testee should score 10 out of a possible 100, on a random chance basis.

In actual tests, we have had people score as low as two and as high as 24. These are the extremes. The average score has been the random chance 10. Fewer than 3 per cent of the hundreds upon hundreds of people we have tested in all walks of life have scored higher than 16.

How have different groups scored?

- We have found that people with a dynamic attitude toward time almost always do better than those with a nondynamic attitude. Of the hundreds of people we have tested, the dynamics have averaged 10.17, the nondynamics 9.65.

- We also have found that belief in ESP has nothing to do with how well a person scores on the third part of the test. Dynamic people who do not believe in ESP or who are skeptical of it have consistently scored better than any other group.

The second best scorers have been the dynamic believers. Third have come the nondynamic nonbelievers, last the nondynamic believers.

- Finally, we have found that businessmen as a group do not have higher precognitive powers than people in other professions—but that some particularly successful businessmen have particularly high precognitive powers.

In an effort to ascertain whether their powers had anything to do with their business performance, we set up an arbitrary, but definitely measurable, standard of success: Had the businessmen been able to more than double their corporate profits within five years?

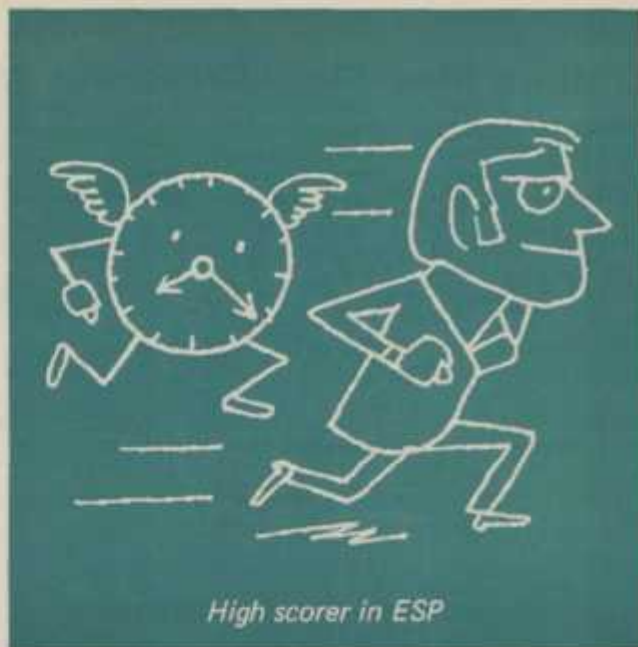
For our purposes, we needed businessmen who had a strong and direct influence on corporate profitability. This meant they had to be at the highest level in their firms, preferably in the president's chair. It also made it desirable that they head medium-sized or smallish companies because the smaller the company, the more direct the president's influence on its profitability.

We tested two groups of such businessmen, separately. The first consisted of 67 chief executives who belonged to a professional engineering association in the East. The second consisted of 40 executives, mostly presidents, who belonged to a manufacturers' association, also in the East.

High scorers at the top

In both groups, the results were along the lines of those we have already reported. Some 78 per cent of the 107 executives said they believed in ESP or regarded it as a possibility. And executives with a dynamic attitude toward time clearly outscored those with a nondynamic attitude. For example, in the first group, the dynamics had an average score of 11.3, the nondynamics an average score of 9.3.

But we wanted to go on and compare these execu-



tives' digit-picking scores against their companies' profitability. And because of the criteria we had imposed, many of them had to be eliminated.

Some weren't company presidents. Others hadn't been presidents for as long as five years. A few wouldn't reveal their companies' profit records, even anonymously.

So we ended up with 25 executives—all men, all presidents. Although the sample was relatively small, it was just large enough to have statistical significance.

The results were amazing. The chief executives who had more than doubled their companies' profits in five years had an average digit-picking score of 12.8. Those who had not met this criterion scored an average of only 8.3, well below what they should have achieved even on a random chance basis.

Or to look at the results in a different way, 12 of the 25 executives had more than doubled their profits in five years. And 11 of these 12 scored higher than chance and one scored at the level of chance.

On the other hand, of the 13 executives who had not met the profit criterion, seven scored below chance, one scored at the level of chance, and five scored above chance. All of these last five had increased their profits by 50 to 100 per cent over the five-year period. In short, although they had not met our criterion, they had come reasonably close.

To give you one striking example of the difference between the two groups:

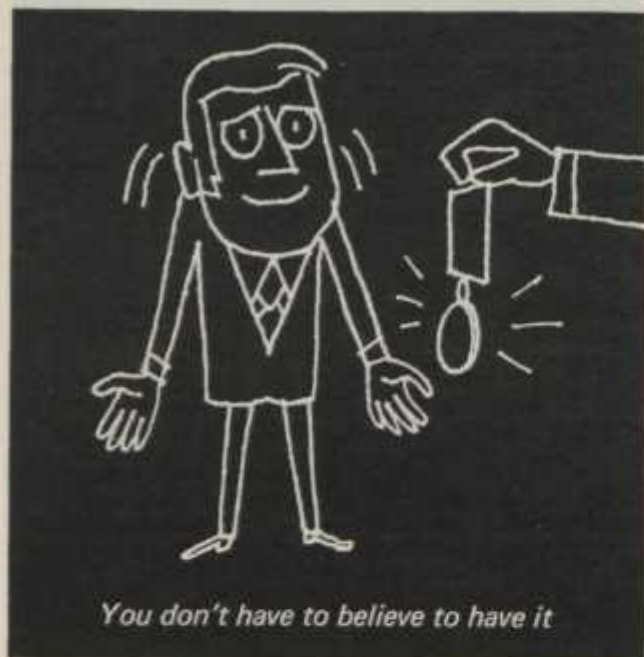
Over the five-year period, one president had increased his company's annual profit from \$1.3 million to \$19.4 million. His test score: 16. Another had been able to increase his profit by only \$15,000—from \$359,000 to \$374,000. His score: eight.

A new check for recruits?

Although we consider the results preliminary and will be testing more executives in coming months, we believe the test or some variation of it should prove useful to business.

For one thing, we think it can be used to check

Dollars May Flow From the Sixth Sense *continued*



executives and executive prospects for their precognitive abilities. We don't think it should be used in place of aptitude, psychological and other tests currently employed by business. We think it should be used in addition to them.

Precognition is not *the* most important quality in an executive, but we think it's one of the most important, particularly as the executive climbs the corporate ladder. After all, no matter how sophisticated computers get, a high-level executive will have to make many decisions when he won't have as much information as he would like.

In this connection, remember that even when one

talks about a sophisticated management technique like risk analysis, he is talking in considerable measure about hunch. For the probabilities attached to the risks involved in various possible courses of action are often based on guesswork.

There are those in the business world who are well aware of the possibilities inherent in precognitive powers.

"I find myself increasingly interested in intuitive decision-making, and its place in management effectiveness," a vice president of employee relations at a pharmaceuticals company wrote us.

Said a major oil company's manager for corporate economic planning: "For several years, I have had the unsettling feeling that many decisions are, and perhaps have to be, based on gut feelings. This would seem to mean that the ESP inputs are . . . very big."

The chief executive of a meat packing firm wrote us that precognition might well explain some "illogical decisions that turned out well" in his business. People who make such decisions, he said, are characteristically unable "to explain the thinking process" that has led to them.

We think the role of precognition deserves special consideration in sales forecasting. Wittingly or unwittingly, it is probably already used there.

It's true, of course, that much sales forecasting is done solely by extrapolation of last year's figures. But as the forecasts are sent up the line, they don't always feel right to the next man on the totem pole. So he massages them up or down. To do this well, he must have an intuitive feel for people and trends, as must the ordinary salesman.

Much more research needs to be done on the presence and use of precognition among executives. But the evidence we have obtained indicates that such research will be well worthwhile. **END**

The Precognition Test

The three-part precognition test described in this article can be administered in about 30 minutes, its creators say. It goes like this:

Part one. The question reads: Do you think some people are sometimes able to obtain information by ESP?

The possible answers are: I am sure of it; it is a possibility; it may or may not be so; it seems unlikely; it is impossible.

Part two. The question reads: Of the five metaphors listed, would you indicate the one you like best?

The choices are: A dashing waterfall; a galloping horseman; an old woman spinning; a vast

expanse of sky; a quiet, motionless ocean.

The first two metaphors connote change, and people who choose one of them are believed to like change and hence to have a dynamic attitude toward time. The last two metaphors do not connote change, and people who pick one are believed to have a non-dynamic attitude toward time. People who choose "an old woman spinning" are believed to have a neutral attitude toward time.

Part three. Testees are given IBM Port-A-Punch boards, three IBM computer cards, and a stylus with which to make holes in the

cards. The testees are asked to make two practice punches—to record their sex and to repeat their choice of a metaphor. They are then asked to punch out 100 digits.

The cards, which are colored red, white and blue to insure proper sequencing, are then put into a computer, with instructions for the computer to randomly generate a 100-digit number for each set of cards and then to compare its choices, column by column, with each testee's guesses.

Then the computer prints out each testee's identification number, his score of correct guesses, and his attitude toward time—one through five, according to which metaphor he chose.

from the editors of **NATION'S BUSINESS**

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Doubts Are Out

Overwhelmingly, executives are confident that this year will be far better than last

American business executives have snowballing confidence that 1971 is on the way to becoming a far better year for their own companies as well as for the nation's economy than 1970 was.

Answering a series of questions put to them by NATION'S BUSINESS in its thirty-eighth outlook survey, chairmen, presidents, vice presidents and company economists go down the line with optimism.

They are in agreement with those political leaders in Washington who have been talking prosperity and expansion for the past three months.

By the overwhelming margin of 304 to 12, business leaders see better, not worse, times at hand for the country. Twenty-five see business levels holding as they are.

And, in answer to requests for comparisons between the second six months of 1970 and what they expect in the last half of this year:

- By a margin of 310 to 15 they see their own company sales or volume of business increasing, rather than decreasing. Thirty-three see present levels continuing.
- By a margin of 276 to 12 they see prices of their products or services going up rather than falling. Seventy-two think prices will remain as they are. The great bulk of opinion is that increases will be in the 3 to 8 per cent range.
- By the lesser but still decisive margin of 242 to 37, executives say their own profits will improve, not fall. Seventy-three see present profits holding firm.

One area where the middle ground predominates is executives' comparisons of their companies' expected

spending on capital improvements in the last half of 1971 with the last half of 1970. One hundred sixty-six say the levels will remain the same, while 121 predict increases and 73 forecast decreases.

Practically no executives—only three, to be exact—see their labor costs holding steady this year. Meanwhile, 358 look for continuing higher and higher payrolls. Breaking down the estimates, 62 executives look for a 7 per cent increase, 62 for 8 per cent, 36 for 9 per cent and 47 for 10 per cent. Other estimates are widely scattered.

Final question on the NATION'S BUSINESS questionnaire is: "What are major factors affecting your business—either for better or worse?"

Paradoxically, executives are more prepared to discuss ill effects than good effects.

Fifty-five cite high union wages as hurting them the most. Thirty-seven comment on the general turndown the economy was in during much of 1970. Another 46 comment on inflation; 16 on high cost of materials; 23 on government restrictions; 24 on the slow pace of construction. A score of other problems are mentioned.

On the brighter side, 14 say they're pleased with increased consumer confidence and consumer spending, 20 comment on good markets for their products, 14 note reduction of interest rates and 11 get a boost from increased construction activity.

Raphael Malsin, who, as board chairman of Lane Bryant, Inc., in New York, directs scores of large women's clothing stores, is solidly optimistic.

The nation's economy will show

"improvement," he says. Comparing last halves of this year and last, he says his firm's sales will be up a healthy 8 per cent, its prices will increase only 3 per cent, its profits will rise 15 per cent and its spending on capital improvement will jump 20 per cent. Lane Bryant's labor costs, Mr. Malsin predicts, will go up 6 per cent in 1971.

S. S. Greeley, president of Masonite Corp., Chicago, follows somewhat similar lines: "Modest but steady improvement" in the economy, a 10 per cent increase in volume of Masonite business as against the second half of 1970, a 5 per cent rise in its prices, a 10 per cent boost in company profits. However, Masonite expects capital improvement spending to remain the same due to a high level of expenditure last year. It sees 7 per cent higher labor costs.

Inflation fears

H. W. Ritchey, chairman of Thiokol Chemical Corp., Bristol, Pa., expects the upturn in business to come with "galloping inflation as a result of federal policies and deficit spending." He looks for 15 per cent higher business volume, a 5 per cent increase in prices, 20 per cent better profits and a 20 per cent drop in level of spending for capital improvements. He also sees labor costs up 8 per cent.

The National Cash Register Co., of Dayton, Ohio, expects improving conditions in the second half. Robert S. Oelman, chairman, writes that the company "expects GNP in current dollars to be 8 to 9 per cent higher in the last six months of the year than in the last six months of 1970 with inflation accounting for about 4 to 5 per



Frederick G. Jaicks, president, Inland Steel Co., Chicago, is concerned about labor negotiations but looks for "expansion in all major sectors" of the economy. He adds: "Price inflation will still be at unacceptable levels."



Turner Construction Co., New York, expects less labor trouble this year, says Chairman H. S. Turner. New contracts are in effect.



President John Seydel of Seydel-Woolley & Co., Atlanta chemical producer, says cost cuts will help boost profits 50 per cent above their level in last year's last half.



G. K. Rugger, president, Home Life Insurance Co., New York, says the economy will "improve slightly." He expects Home's business to increase over the second half of '70, but profits to stay about the same.



"Inflationary wages, increasing disposable income, and a slowdown in high technology industries" are major factors affecting Broadway-Hale Stores, Inc., Los Angeles, says President E. W. Carter.

Quarterly Outlook Survey *continued*

cent." A factor adversely affecting the company, Mr. Oelman says, is the "impact on profits caused by rising labor and material costs."

Also citing the continuing inflationary pressure—"on wage, power, material and distribution costs"—is F. Perry Wilson, president of New York-based Union Carbide Corp., who becomes its board chairman and chief executive officer later this month.

Mr. Wilson, who anticipates a rise in the economy this year—and says how well his company does is keyed to that rise—has some advice for the government. It must, he says, "come to grips with some of the current import problems, such as steel and textiles. Additionally, in our own industry, petrochemical, competitive raw material policies must be developed to ensure continuing participation in world markets as well as continued growth in the U. S."

George R. Vila, chairman and president of another New York-based firm, Uniroyal, Inc., predicts "little or no slackening of inflation." As a result, he says, the rubber company's prices will rise 3 to 5 per cent over last year's last half—one factor in a projected dollar volume jump of 21 per cent. Another factor, he says, is the end of the General Motors strike and the "recovery of the automotive industry."

Mr. Vila sees "some reduction in unemployment" accompanying a "gradual improvement" in the nation's economy.

Presidents of three of the country's largest diversified companies also see improved times ahead. They disagree over the pace of recovery.

Roy Ash, of Litton Industries, Inc., Beverly Hills, Calif., looks for "slow recovery" of the nation's economy but a solid 5 to 10 per cent improvement in Litton's own volume of

business compared to the second six months of 1970.

J. Peter Grace Jr., of W. R. Grace & Co., New York, says that assuming there is no steel strike, "the economy in the second half should show a vigorous upturn with most sectors participating." His own company looks for 6 to 8 per cent higher volume than it had in the same period of 1970.

N. W. Freeman, of Tenneco Inc., Houston, is most optimistic of the three. "The economy will continue to move upwards at an increasingly more rapid pace as each month passes," he says. And Tenneco's volume should leap 14 per cent.

Bullish outlook

Robert Hall, vice chairman and treasurer, Bache and Co., Inc., the large New York-based securities firm, sees a "moderate expansion with inflationary spiral threat" ahead for the economy. With the public and institutions re-entering the stock market on an increased scale, the company looks for 20 per cent more business and a 300 per cent improvement in its profit picture.

Mr. Hall adds that he expects "a new commission rate structure before the end of the year which will reflect increased costs of doing business." This will help account for a 9 per cent increase in service charges.

Despite the threat of a steel strike, Mahlon B. Wallace III, of Wallace Pencil Co., St. Louis, looks for improvement in the nation's economy. He's optimistic because of new products and the general economic recovery.

Oscar H. Curry, senior vice president, Campbell Soup Co., Camden, N. J., cites "consumer optimism" as a plus factor for Campbell. The economy, he says, will "experience a real growth in the 2 per cent area."

St. Regis Paper Co. President William R. Adams, New York, feels a gradual improvement in the economy will bring corporate profits to 20 per cent above 1970. As for his own company: a 5 per cent rise in volume, a 6 per cent rise in prices, a 20 per cent improvement in profits, a 15 per cent boost in capital spending over last year's second half. And a 9 per cent jump in labor costs this year.



Western Electric Co.'s labor costs may go up in mid-1971 due to new union contract talks, says President H. G. Mehlhouse in New York.

Navigation Guide for Pension Funds

not long ago had a pension expense equal to 115 per cent of its annual profits. In fact, over 200 major companies in 1969 had pension expenses in excess of 30 per cent of reported earnings.

Higher pension fund returns, of course, make for lower company contributions.

If a company had begun a pension fund 30 years ago, and the fund had earned 5 per cent on its money, the company would now be contributing 44 per cent of annual additions to the fund's benefit reserve (assuming the fund followed normal actuarial practices). If the fund had earned 10 per cent, only 17 per cent of the benefit reserve would be coming from company earnings.

In the past, market value performance has had an infinitely greater impact on results than has income. And for most of a 25-year period, superior market value performance has resulted from maximum commitment to common stocks and minimum exposure to long-term bonds.

Nevertheless, the successful pension fund managers of the future will be unable to rely on the past to provide guaranteed approaches. The past is not necessarily prologue.

When there were no losers

In the 1960s, with virtually all common stocks advancing and bond prices reasonably stable, practically everybody's pension fund performance was relatively good.

If a client was not satisfied, it was frequently possible to tell him, "We have achieved satisfactory performance for your account, and at the same time stuck with a substantial backlog of bonds and a high grade list of blue chip stocks that are best suited to your objectives. Of course, we could assume greater risks, but..."

Probably only those who maintained top-heavy proportions of fixed income securities had much difficulty explaining.

As 1965 ended, however, a new ball game started, and good portfolio performance became a most elusive

objective. More and more companies found that costs increased more rapidly than sales volume or the ability to raise prices.

Earnings—which had grown steadily during the early 1960s—leveled off, fluctuated, and frequently declined, with stock prices following suit. The damage was particularly noticeable with respect to many former blue chip stocks and to cyclical business in general.

The monetary system labored to supply the necessary funds for business expansion and government needs; interest rates soared, and bond prices went into a steep and protracted decline.

It should be emphasized that many companies and their stocks did extremely well for most of this half decade, and that pension funds and other institutional portfolios which remained light in bonds and substantially invested in various types of selected growth situations did well, too.

Nevertheless, far too many portfolios—in particular those of the "buy-good-securities-and-put-them-away" school—showed sorry results.

In the very last part of the decade, with the blue chips mired in the doldrums, and the obvious growth situations very fully priced, adventuresome portfolio managers, frequently the "new breed," turned to other so-called approaches that were little more than thinly disguised speculation.

"Concepts" such as emerging technology companies, leasing companies, leisure time industries, franchises, conglomerates, pollution, and even railroads (as asset plays) came and went and went and went.

At the end, the Federal Reserve used the monetary brakes and the speculative bubble burst—as it has done about every five years since the end of World War II.

It is no longer reasonable to proceed on a "stocks will go up, bonds will go down" basis. Instead, the merits of common stock commitments must be tested against the relative returns and risks of other forms of in-

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Unfortunately, too many executives have assumed that returns on trustee pension funds are scientifically preordained by actuaries, and beyond a company's control.

The words that follow are addressed to executives who don't want to shrug off responsibility, who recognize the impact of pension fund results on their cost and profit structures.

That impact has been demonstrated time and again. One large company

WILLIAM W. WOLBACH, author of this article, is president of The Boston Co., Inc., whose subsidiaries offer services in a number of financial resources management fields. Among the subsidiaries is the newly formed Institutional Investors, Inc., which specializes in the pension field.

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Navigation Guide for Pension Funds

continued

vestments, including bonds and real estate.

Selectivity and timing with respect to stocks must assume greater emphasis. It will not be enough to steer the fund into stocks and set it on automatic pilot. Continuous navigation will be necessary.

Superior in the Seventies

It is worthwhile to try to establish some criteria that may typify the first half of the 1970s, and then to suggest the kind of pension fund management that will be required for superior results.

To begin with, the conditions that prevailed from 1966 through 1969 are more likely to typify the early 1970s than the textbook idyl that prevailed from 1960 through 1965.

Hopefully, the superstresses created by the Indo-China war are being phased out. However, many strains inherent in our increasingly large and complex society will come into sharper focus.

The factors that restricted profit margins and return earned on capital during the latter part of the 1960s will remain. Inflation will be with us, but hopefully at a more moderate rate. The largest "blue chip stock" companies will not have gotten any smaller or easier to manage. Invention, change and obsolescence will continue on an accelerated scale.

Finally, with the financial and liquidity needs of corporations, governments and individuals almost infinite, only the very brave or foolhardy would dare forecast a permanent return to significantly lower long-term interest rates.

None of this means it will not be feasible to achieve significant returns on well managed pension fund portfolios. Ours continues to be an exciting and dynamic business economy and there always will be opportunities for those who can recognize them. But the golden investment years of the early 1960s are gone, and superior results will be achieved only by those who earn them.

Above all, those responsible for pension fund performance should rethink the criteria by which they select and evaluate the counselling firms or banks which run their pension

funds. Traditionally, the most common questions that corporate managers ask candidates for the management of their pension funds are:

- What is your five-year performance record?
- What other funds do you manage?

They accept the answers with little or no regard to the possibility that the individuals responsible for the performance records may no longer be with the organization or that letters of dismissal may be in the mail from the most prestigious funds still under the candidates' management.

Can they really cope?

A more sophisticated questioning is preferable. Its objective should be to help form conclusions concerning pension fund managers' intellectual and professional qualities and their abilities to formulate investment strategies that will cope with the complexities and uncertainties of the 1970s.

A good starting point could be:

- Just what is your investment strategy?

It's surprising how seldom the answer is anything more than, "The selection and purchase of good long-term values."

Then, in relation to this response, there should be other searching questions, such as:

- Would you comment on the use of real estate investment for pension fund portfolios?
- What is your actual method of comparing one investment to another?
- What return do you require from an equity investment? How do you calculate this return? How do you establish your cut-off points, below which you will not invest in equities?
- What kind of long-term guidelines do you think a pension fund portfolio should have?
- How do you determine the quality of a security?
- How do you view bonds and what capabilities do you have in this area?
- How do you develop perspective on the political-economic environment in which your investment strategy will function?
- To what extent are you self-suffi-

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Navigation Guide for Pension Funds

continued

cient in conducting field research for security analysis? How dependent upon broker research?

- What use are you making of computers in investment research?
- Do you have a strategy committee to serve as a sounding board for your economic information and investment research?

In selecting those who run its pension funds, corporate management also should look for assurance of a continuing major commitment to this endeavor. There should be clear evidence that the performance of their clients' pension funds is important to everyone in the organization—right to the top.

Beyond this, and of equal importance, there must be major research backup.

Economic forecasting is not an exact science, but it can be of enormous value. It is like the use of radar to navigate in dense fog—indefinitely better than no navigation at all.

Then there is in-house investment research. The research department of the future must have a far more sophisticated approach than those of the past.

It must understand the thinking of both corporate managers and investment portfolio strategists. It must leave the "dog work" of tracking the progress of hundreds and hundreds of companies to computer-based systems that are programed to spot any developments deserving personal attention. It must develop techniques that may be useful as purchase or sell signals.

It must work with the portfolio managers in developing valuation techniques that will help relate such criteria as growth, rate of return and quality with market price, and with the corresponding value ratios for other stocks and other forms of securities.

Finally, there should be strong available competence for the analysis, selection and supervision of real estate situations and other nonsecurity investments.

Like many a management problem, choosing the best operators of a pension fund may not be easy—but it can be done, rewardingly. **END**

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For weeks on end, many a London street looked just like this—or even worse. Garbage collectors, called “dust men” in England, were on strike. Filth was everywhere and odors assaulted nostrils.

A Cure for Labor Abuses?

Americans plagued by irresponsible union actions will be watching the effects of the strong medicine prescribed for “English sickness”

LONDON—A dispirited group of British socialists and other leftists, including a scattering of communists, turned out one dank night last winter for a rally in London's enormous Albert Hall. They did not fill it.

The main speaker was Harold Wilson, who as Prime Minister nearly a year ago led the Labor Party to the most surprising defeat it ever suffered at the polls.

Mr. Wilson spoke for 46 minutes. He was heckled—barracked as the British say—throughout. He drew applause from his own cheerleaders interspersed among the audience, but he didn't get much else in the way of happiness. When he sat down, his listeners seemed glad.

The evening was a bust. Newspapers normally leaning toward Labor said so. So did trade unionists who were the sponsors.

Why?

Primarily because most of the British people are sick of labor problems. They're sick of little Napoleons among union leaders, of refusals to

work alongside non-union workers. They're sick of strikes—both of sizable ones and of small ones over such burning questions as timing of tea breaks or whether liquid or bar soap is furnished in washrooms.

There is a considerable degree of feeling, even among many trade unionists, that Britain must have a strong labor control law or it will go down the drain.

Prime Minister Edward Heath's Conservative government has proposed such a law, and it was to protest the government's Industrial Relations bill that the Albert Hall rally was held.

Toughest in the West

For or against the measure, which sometimes is called the Heath bill, virtually every union leader, businessman and politician expects it to pass Parliament this summer in nearly the same form as presented to the House of Commons last December.

When this happens Britain will have the toughest industrial relations



All over England, protesting workers have turned out for marches and rallies in all sorts of costumes. Here, protesters dressed as undertakers carry a coffin symbolizing what they hope will be the Heath bill's fate.

law of any Western democracy. The bill borrows from America's Taft-Hartley law and National Labor Relations Board setup, and from Canadian law. And it brings on new ideas which doubtless will be pondered in other nations, including the United States.

The bill would:

- Set up a Labor Court under a High Court judge, and a full-time Commission on Industrial Relations which would work with it. The Commission could summon witnesses and take evidence in a wide range of labor disputes.
- Ban the closed shop. The most a union could shoot for: An agency shop, in which non-union workers must give to the union or to agreed-upon charities sums equal to the dues they'd pay as union members.
- Subject a contract-breaking union to as much as \$240,000 in fines.
- Make many sympathy strikes illegal.
- Allow for 60-day cooling off periods to curb strike impulses in emergencies.

- Give unions corporate status and require them to divulge financial information.
- Require unions to register with a government-appointed registrar. Inspectors under the registrar could investigate any union they believed insolvent.
- Spell out rights of individual workers in relation to unions, companies and employers' associations. Compensation would be paid individuals who can show they've been wronged. Industrial tribunals for individuals' grievances would be strengthened.
- Give Britain for the first time full rules, in writing, on what unions can and cannot do in industrial disputes.

Many requirements for unions would apply fully to employers' associations, including the all-important requirement to register.

Scores of these employers' associations negotiate industry-wide union contracts on behalf of member companies, settling such matters as basic rates of pay and length of workweek. Among the principal groups are the

Engineering Employers' Federation, the Shipbuilders and Repairers National Association and the Motor Agents Association.

A minority of industry leaders oppose aspects of the Heath bill which they feel restrict them as well as the unions. Perhaps strangely, many industrialists prefer a closed shop to an agency shop because under the former, unions have the responsibility of providing workers.

However, British business on the whole is tremendously in favor of the Heath bill.

Taming the wildcatters

British labor relations tend to be more unnerving for management than are U. S. labor relations, because strikes frequently come with little or no warning, and because of the special significance of the bargaining at the plant level which usually follows completion of employers' association negotiations.

Local dickering can deal with regional rates of pay, regional working

A Cure for Labor Abuses? *continued*

hours, timing of tea breaks, and a hundred other things.

Shop stewards, who conduct local negotiations for the unions, usually are alert for the slightest excuse to call a wildcat strike.

There have been thousands of brief wildcat strikes, directly involving relative handfuls of workers, which have tied up entire industries, wrecked construction and shipping schedules, hurt the country's vital balance of payments and poisoned labor-management relations.

To a large degree Mr. Heath's bill aims at stopping shop stewards from calling irresponsible walkouts.

He has nearly everything going for him, including the recent findings of a royal commission on labor which commented adversely on the "two-tier" system of contract negotiations—upper tier between unions and employers' associations, lower tier between union and local plant executives. The commission called for more company-by-company negotiations, in the American manner.

An antecedent of the Heath bill, similar to it in many ways, was a tough labor measure proposed two years ago by none other than Mr. Wilson and Mrs. Barbara Castle, then his Secretary of State for Employment. Although it was widely agreed the measure was a good one and was urgently needed, it caused a rift in Labor Party ranks.

Mr. Wilson eventually scuttled the proposal in response to demands from some Laborites. Subsequently, he and his party were voted out of power and a big contributing reason was public displeasure that unions were not to be curbed after all.

"English sickness"—another name for the rash of wildcat walkouts—has since gone from bad to worse, and now there is little toleration left among the public for any strike.

Other recent events have helped to back up Mr. Heath and he has known how to take advantage of them.

Last December, as the bill began moving through Parliament, there occurred the now historic slowdown of electrical workers. Everyone was inconvenienced. And Christmas was coming.

If ever there was a foolishly timed labor move, this was it.

The British public rose up in wrath. A farmer sprayed liquid manure all over a power station. Bus drivers refused to pick up electrical workers. Gasoline stations and food shops refused to serve them. They were jeered at. Some were thrown out of pubs, or beaten up. There even were reports that several were pushed off moving trains.

Mr. Heath let the electrical workers stew and the slowdown ended.

A round of rallies

During the winter and early spring, dozens of walkouts were called by unionists to protest the Industrial Relations bill; for one day in March, a million workers were on strike. The Trades Union Congress, overlord organization for unions, did not call strikes, but tried to put pressure on Parliament with demonstrations.

The Albert Hall rally was one. In February, there was an outdoor demonstration at Trafalgar Square which drew up to 100,000 people. It ended with unionists good-naturedly singing nostalgia-filled melodies.

None of these rallies was very successful from the labor viewpoint, primarily because even TUC leaders realized the bill would pass almost as written. Besides, moderates within the TUC know some labor controls are needed.

Labor leaders oppose many aspects of the bill. Jack Jones, head of the Transport and General Workers Union, and Victor Feather, general secretary of the TUC, both told NATION'S BUSINESS they object most to the requirement for unions to register.

"With union registration, the democratic aspect of trade unionism is gone," Mr. Jones said. "The registrar will be running the unions. This is government control. Secondly, I find most offensive the bringing in of judges who know nothing of trade unionism. They may come from a strata of British life that may be anti-union, or at least not understanding."

Mr. Feather called registration the same as "licensing of unions. We just won't have it. The registrar will be the *gauleiter*. I feel that many unions simply will refuse to register."

Refusal to register would penalize unions in a number of ways. For one



Says labor leader Victor Feather about the proposed registration of unions: "We just won't have it."

thing, they would lose government reimbursements for money paid out through their own pension and hospitalization plans.

Under the Heath bill, unions would receive protection of various kinds against possible malpractices of employers and employers' associations. This too would be lost unless there is registration.

It is considered unlikely that Mr. Feather's threatened nonregistration would be long maintained once the bill is law and in operation.

Lord Cooper of Stockton Heath, chairman of the TUC and a leader of the National Union of General and Municipal Workers, said he found the loss of closed shops the measure's most worrisome feature.

Red menace

Another labor leader, who asked that his name not be used, said he worried about the bill of course, but that he worried more about "the left in our unions, the communists and Trotskyites who call these wildcat strikes. They are against Britain. Simple as that. Invariably, too, the communists in the end turn against



One of Britain's most militant trade unionists is Jack Jones, leader of the Transport and General Workers Union. He's totally opposed to the labor bill.

the unions themselves. They are the enemy."

Government, union and business executives in Britain told NATION'S BUSINESS that sentiment has been building up toward a stiff union measure for 15 to 20 years. They place a large portion of blame on communist influence in unions.

Shop stewards for years have been a prime target for Red recruiters. Higher union officials also have not been immune to the communist line. Identifying a communist in British labor can be a tricky business.

Recently, Lord Cooper said, he went to the funeral of a union official he had known for a long time.

There at the graveside was a red wreath with a red sash tied across the front, complete with hammer and sickle and a fraternal communist inscription.

"Until that moment I did not know the man had been a communist for years, although I did suspect it pretty often," Lord Cooper said.

Best estimates are that of the 35-man General Council which runs the TUC, between 12 and 15 either are dues-paying Communist Party mem-

bers or vote consistently with the Reds. When Lord Cooper and others of his moderate, responsible stripe are absent from Council meetings, the communist-leftist bloc, whose members rarely miss a meeting, can win a vote.

At the time of the Albert Hall rally the International Marxist Group in London attacked the Heath bill with agitation of various kinds.

Support on the left

The *Daily Mirror*, a mass circulation tabloid of the moderate left, has editorialized for the bill. Mr. Heath, it wrote, is "buttressed" by opinion polls "showing that a majority of the public believes the strike problem must be tackled."

The paper went on to criticize the TUC for not controlling strikes.

The *Mirror*, daily bible of much of the working class, said in large, bold-face letters that what the bill calls for "has to be tried."

Mr. Feather and other labor leaders point out that fewer days per 1,000 workers are lost to strikes in Britain than in the United States and several other countries.

What they often fail to add is that the number of man-days of production lost due to British walkouts has been skyrocketing—in 1970, the figure was 11 million, highest since the general strike of 1926.

And that shop-level strikes which may involve only 20 or 25 workers but immobilize entire plants occur in greater proportion than in the United States and do greater damage to the nation's economy.

Ford Motor Co. has been pestered for decades by small, quickie strikes which often wrecked its British car production for weeks. It was due to these and other labor problems that the company decided last February to locate a new multimillion-dollar plant in Germany rather than in Britain.

Lord Robens, a highly respected Laborite who has served as chairman of the National Coal Board, pointed out recently that demonstrations and wildcat strikes last year cost the coal industry 3.3 million tons of production.

"A small group of people" pride themselves on being called militants, he said, but "their real name is wreckers."

Despite unhappiness among the public, union members have been led into large strikes recently by their leaders. Post Office workers struck for the first time in their history. Automobile workers walked out of several plants.

True, the issues for the most part were higher pay or better working conditions, rather than the trivia typically involved in wildcat strikes. But the walkouts didn't help anti-Heath bill forces.

With the opposition in disarray, most public sentiment on his side and the sweep of history running in his direction, Mr. Heath got still another windfall—although it certainly was not one he wanted.

The home of Robert Carr, Secretary of State for Employment, was bombed twice. A large section of the house was wrecked and Mr. Carr and his family narrowly missed being blown to pieces.

The British were appalled.

Nothing could have happened to hurt labor—and help Mr. Heath—more.

END

Guard That Computer

Sabotage by outsiders
or insiders ...
carelessness ... or even
souvenir hunting;
it's unnerving what
havoc can be played
at a company's
nerve center

An underground Chicago newspaper named *Seed* recently turned its attention to computers.

In the past, it said, "a group of extremists called Luddites smashed machines because they felt them to be the work of the devil."

Today, it added, some feel the same way about computers. For its readers who do, it offered a full-length how-to-do-it article on "The Technology of Computer Destruction."

"Unfortunately," notes Robert V. Jacobson, president of Bradford Associates, Inc., of New York, consultants on computer security, "about 80 per cent of what that article says is true."

"Once, human error was the most dangerous threat to a company's computer center. Today, it's sabotage."

Sabotage has become a familiar, ugly, part of the American scene.

The FBI reports actual and attempted bombings now run at the rate of 433 a month. The bombers' handiwork is witnessed on the campus, at government buildings including the U. S. Capitol itself, and, of course at businesses.

And the radical left is clearly beginning to look on the computer center—in the corporations and on the campus—as a prime target.

"We got four bomb threats in one day," says the security officer of a big Manhattan bank. "One was directed at the computer center."

Last fall, at an SDS "convocation of youth" in Milwaukee, a latter-day La Passionara told the audience that computers are to modern man what the Spanish Inquisition was to "those of yesterday who sought only to escape the tyranny of a cruel religion."

Computers, she said, are just "malicious gossipers tattling untruths to eager ears."

The young firebrand, who called herself Delilah, urged that electronic data centers be sabotaged because they "pinion free men to the display board of a sick and greedy society."

Many are off guard

Despite this sort of thing, Mr. Jacobson says, "I find a surprising number of men in top management, very prudent otherwise, who are astonishingly indifferent to what should be a major concern of theirs. Namely, what would happen to their corporation if its computer center were knocked out or its tape library destroyed."

"The crux of the problem is this. Computers have grown immensely in technical capability. From mere tombstone accounting—telling us what happened last week—they have now become part of the company's daily operation."

"They're as much a part of it as the machine tool on the factory floor."

How serious would destruction of a computer center be?

"The computer itself would be easiest to replace," says Louis Scoma Jr., president of Data Processing Security, Inc., Hinsdale, Ill.

"The manufacturer would do his utmost to rush a replacement quickly. But the software—the company's records, and the programs that tell the computer how to process them—may be almost irreplaceable."

Unfortunately, they are also most vulnerable.

"A strong magnet, the kind you can buy at any hardware store," Mr.

Scoma says, "can play havoc with computer tape. You can ruin 1,000 reels in 15 minutes by holding a magnet close to them and walking through the tape library."

That magnetic force scrambles the billions of bits of information on the tapes and makes them useless.

Computer security officers recite examples galore of planned or accidental destruction.

One night in December, 1969, members of a radical antiwar group calling itself Beaver 55 broke into a Dow Chemical Co. data center in Midland, Mich. They climbed a fence, forced a locked door to the tape library, then left after a few busy minutes.

The next morning, Dow employees found the place "a mess," but apparently little harmed.

"They scattered a few tapes and some IBM cards over the floor," a company spokesman says. "It looked like minor damage only."

But closer examination told a different story.

"They ran a magnet over about 1,000 tapes and wrecked 'em," the spokesman says.

Beaver 55 boasted that it had destroyed data from "research into such areas as nerve gases, napalm, defoliants and other secret chemical weapons."

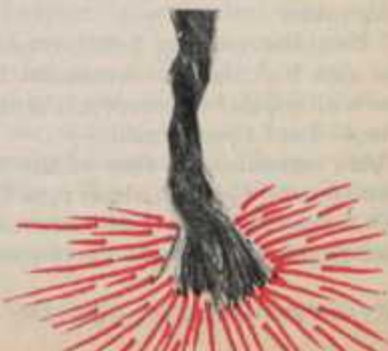
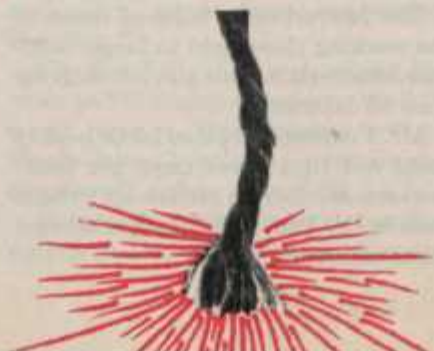
Actually, it had erased—along with tapes that held the records of the local blood bank, research on air pollution, and the history of Dow's industrial health program—the chemical test results of a mumps vaccine Dow was developing.

Dow had duplicate tapes for some of those destroyed, and backup data for all. But it was a costly and time-consuming job to reassemble the records. The company estimates damages at \$100,000.

Danger: grudge at work

A disgruntled worker can be as dangerous as a campus radical.

One Midwestern firm was brought to the brink of bankruptcy, computer security officers say, by a programmer with a grudge.



He was fired in the morning, and came back after lunch to clean out his desk. During his lunch hour, he had bought a magnet.

His boss had failed to tell other computer center employees that their colleague had been dismissed. So he had no trouble entering the center and its tape library. In 10 or 15 minutes, he erased virtually all the company's files and computer programs.

Among vital records that vanished were the company's general ledger accounting system, its accounts receivable and accounts payable, all stockholder records and valuable marketing data.

Management found, to its dismay, that it had little backup information on tape or on paper.

It began a laborious effort to reconstruct its records with the help of its auditor and other sources.

But its survival was touch and go.

"Here's what a situation like that would be like," says Brandt Allen, associate professor at the Graduate School of Business Administration, University of Virginia, and a consultant on computer security systems.

"The company couldn't send out bills. It wouldn't know who owed it, or how much. It couldn't pay bills—for the same reasons.

"And it couldn't refuse to pay a bill, if presented, even if it doubted that the goods or services had been delivered. It would have no written record to dispute the claim.

"Furthermore, it would have great difficulty running its plants.

"Today, many companies use the computer to run off their daily production schedules. The computer takes into consideration the backlog to be filled, the items on order, what work was done last night, where partly-finished items are on the factory floor and in what stage of manufacture they're in, and what production runs have priority.

"It also remembers what machines are available, what supplies are on hand and where the materials are. It figures out how long each job will take, what to do if slippages occur.

"It may provide eight or nine alternatives to take if the plant runs into production snags.

"Often, the computer will lay out an over-all schedule, leaving the fine tuning to plant managers.

"Then, every morning before they get to work, the computer will have typed a print-out of their duties for the day for top management, superintendents and foremen. It may send 1,000 print-outs daily to 1,000 different people.

"The people who run the plant simply wouldn't know where to start without the computer."

Error is a terror

To protect it properly requires more than just a list of things to do before the bomb squad comes, says Joseph Wasserman, president, Computer Audit Systems, Inc., East Orange, N. J.

"A good security system must anticipate trouble," he adds. "And it must protect against human error as well as human malice."

To their regret, human error is what these companies failed to guard against:

- One manufacturer found that some data stored in its center's memory drums had been wiped out completely. Unluckily, it had no duplicate of the information on tape—or elsewhere. Working from other hastily assembled records, it was finally able to piece the information together.

Meanwhile, its computer was shut down for six days.

The cause: An employee who was cleaning the inside of the drum cabinet had attached his magnetic flashlight to the unit.

- At a company computer center in Louisville, Ky., maintenance costs went sky-high following every local thunderstorm. For as long as a month afterward, components conked out mysteriously, shutting down the computer.

The cause: Lack of proper shielding from the electrical energy generated by lightning bolts.

- A big Eastern bank found serious

and recurring errors in its payroll records and lists of depositors' account numbers.

The cause: A magnetic door-opener at the entrance to the tape library. As tapes were hauled past in a cart, the gadget erased the data on the side of the tape nearest to it.

"Even airport radar can be a danger," says Henry Hoffart, a San Diego consultant on electromagnetic compatibility and an authority on grounding systems.

"The beam can erase tapes or induce a current in the computer circuitry. This can badly distort the information you are trying to store on your tapes, without so much as a hint that anything's amiss.

"The programmer thinks the input is O. K.—then plays it back and finds it unreadable."

Unpleasant visits

As more of top management decides that the computer center is its most vital and most vulnerable physical asset, guided tours of that installation are less and less likely.

A large insurance company discovered the hard way why such tours may be good community relations—but bad corporate policy.

Not long ago, a ladies' garden club accepted an invitation to visit the company's new computer center.

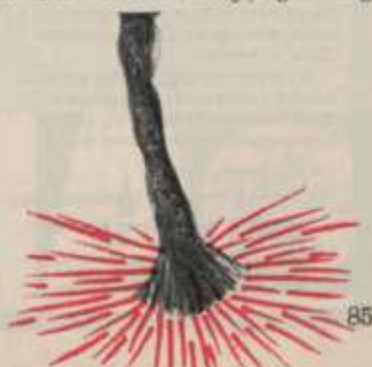
One lady was fascinated by the blinking lights, the whirring tapes, and the general Buck Rogers atmosphere of this space age hardware. In fact, she was so impressed that she felt impelled to take home a souvenir.

"I meant no harm," she said later. "But there were all these trays of punch cards lying on a table, so I reached into a tray and took one."

The cards were "program patches," used to put new steps or procedures into a taped computer program.

The data processing department, of course, was not aware that one of its cards was missing. As a result, when it ran them through, and the "patched" program refused to work, it was baffled.

It took a week of costly, agonizing



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Guard That Computer *continued*

sleuthing to discover what had happened.

"Business is learning that the computer center isn't a showplace," says Harold Weiss, director of the Automation Training Center, Reston, Va. "It's the corporate nerve center. It must be protected, just as nature protects our brain with a massive bone structure.

"Putting it behind plate glass, like a department store window, is like putting an isinglass peephole in your skull."

Mr. Scoma, at an American Management Association seminar on computer security, asked: "How many banks put their vaults in their front windows? How many financial institutions let visitors wander through their safe deposit box areas?"

Taking precautions

Mr. Scoma's firm specializes in security systems for data processing centers. It has designed and installed more than 100. They include TV monitors, coded ID cards and other hardware to guard against theft, vandalism, sabotage, riot or fire.

St. Paul Fire and Marine Insurance Co., the first to offer special insurance protection for computer installations, says a long list of factors enters into its determination of risk.

Here are some main points it checks:

Location: What type of building the center is in, and where the computer is located in the center. The computer should be, if possible, in an inside area with few or no windows, and not on an outside wall. It should

not be in the basement because of danger of water damage.

Fire Protection: Is the center equipped with sprinklers, Halon 1301 or carbon dioxide extinguishing systems? Are combustible materials stored near it?

Air-Conditioning: Does it have an auxiliary air-conditioning system that can be used if the building equipment fails? Does it have backup power and water supply?

Security: Is there an effective system to make sure that only those who have a need to do so are admitted to the center or the tape library?

Disaster Plan: Is there a written procedure for evacuation of the center in case of emergency, and for protection of its contents?

Record Protection: Is there a system for insuring that duplicate master tapes, program tapes and transaction tapes are made and kept in a separate, fireproof location?

Housekeeping: Are all activities which might endanger the center performed away from it? For example, repairs which involve soldering or welding.

Environment: Is the center's location one where riots are unlikely?

"We stress that the No. 1 thing is to protect the data processing center and its tape library as best you can," says Gordon Paine, assistant secretary of St. Paul Fire and Marine.

"They're vital installations. Without them, the company is a dead duck."

END





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THE U. S. CORPORATION IN CANADA

THIS MONTH'S GUEST ECONOMIST

Morgan Reid
Vice President and Economist
Simpson-Sears Ltd.
Toronto, Canada

Over the years, the size and diversity of the U. S. stake in Canada has been steadily increasing. American long-term capital invested in my country now exceeds \$30 billion at book value.

A recent survey showed that more than half of the Canadian manufacturing sector's assets were controlled by firms with 50 per cent or more American ownership. In some areas—oil and gas, chemicals, aircraft and aircraft parts—the percentage is substantially higher. In the auto industry, American ownership is virtually 100 per cent.

The economic benefits to Canada of American investment have been substantial. High levels of capital inflow have been accompanied by a rising standard of living, expanding employment and improving profits for both American- and Canadian-controlled firms.

The United States has also derived many advantages from this relationship. In particular, it has been able to use Canadian resources to feed its vast industrial machine. Some of the benefits have not only been those of proximity, but of continuity of supply. Canada's treatment of foreign investment has, on the whole, been fair. The words "expropriation" or "industrial intervention" have been absent.

There are some limiting ground rules for the foreign investor in sectors where Canadian control is regarded as essential for maintenance of political sovereignty and the implementation of economic policy.

Most notably, foreign ownership is restricted—generally to 25 per cent of the issued shares—in financial institutions. Similar limitations apply to the broadcasting industry. In the Yukon and Northwest Territories—currently areas of intensive exploratory activity—mandatory guidelines

are in effect to assure substantial Canadian participation in development.

And a measure has been introduced in the House of Commons to create a large private corporation, partially financed by the government, to help develop and maintain strong Canadian-controlled and Canadian-managed companies.

But over-all, the opportunities for American corporations are many. Moreover, they are welcome. Over the years, their corporate behavior has been exemplary on the whole.

Recently, the Canadian government issued some guiding principles of good corporate behavior for foreign companies operating in my country. Most of these are comparable to what the responsible corporation already does whether it operates in Canada or the United States. Foreign subsidiaries are asked to "strive for maximum realization of their potential and for full participation in, and identification with, the life of the Canadian community."

The great majority of American corporations do this. Where there is a shortfall, it is usually due to lack of understanding.

Occasionally, we are regarded as an extension of the American constituency—though the successful and responsible American corporation in Canada will recognize that we are North American citizens. With a difference!

The real problem exists in the extraterritorial extension of United States law—which arises, in some ways, from the tremendous variance in the size of our populations that complicates communication.

American law has indirectly attempted to influence the direction of export trade by subsidiaries operating in Canada. Other United States regulations influence on a restrictive

basis the export by Canadian subsidiaries of certain products if they contain technology or components originating in your country.

When you instituted the balance of payments guidelines, another situation arose. As a Canadian Cabinet minister put it, "These guidelines were widely regarded by subsidiaries of U. S. firms . . . as applying to them. The Canadian government thus found itself in the position of having to remind Canadian corporations of the responsibilities of their corporate citizenship."

Also, American antitrust regulations, when applied on an extraterritorial and extralegal basis, could make it very difficult for your subsidiaries in Canada to achieve the productivity levels which your own managements regard as realizable.

And we had the rather remarkable situation where the SEC sought to extend its financial regulation of U. S. companies to certain Canadian corporations, even when their shares were unlisted on any U. S. stock exchange.

At present, we are reviewing our whole fiscal structure, and a Cabinet committee is developing a comprehensive policy on foreign investment. This might be the shape of things to come:

1. A comprehensive and pragmatic outline of ground rules for foreign investment. The American investor would have a clearer knowledge of the legislation applicable to the area within which he is considering the commitment of financial resources.
2. Legislation to deal with the special problems of the multinational corporation. This emerging organization with its rationalization of production, distribution and finance can confer many benefits on the citizens of countries in which it operates.

Canadian legislation, if it appears, undoubtedly will try to assure that this will be so, but it may also establish principles to avoid the substantial dislocations that can arise in the international movement of resources.

Within these reasonable precepts, Canada will remain a most attractive country for American investment in a world of turmoil and expropriation.

As people who have a substantial investment in the United States, we think the same rules of common sense and understanding should apply on both sides of the border.

Soon It May Be

"Give a Centimeter and Take a Kilometer"

What's a yard? It's the distance from the outstretched fingers to the tip of the nose of King Edgar, an Anglo-Saxon king of 1,000 years ago.

What's a foot? It's the distance covered by 36 barleycorns laid end to end.

An inch? The width of the thumb of some forgotten king, or of three barleycorns.

A mile? Its origin was the distance a Roman soldier traveled in 1,000 paces.

A fathom? The length of a Viking's outstretched arms.

An acre? The amount of land that could be plowed with a yoke of oxen in a day.

All these measurements, in addition to the ton, pound and ounce, the

United States adopting the metric system.

There's no doubt among Washington officialdom that metrication is in the cards, despite opposition in some segments of industry—for example, shipbuilding and auto manufacturing. (Although metrication has appeared on the U.S. auto market in imported cars and parts. The foreign-made engine of Ford's small American-made Pinto, for example, is metric.)

The main questions, say government and business people directly involved, are how to convert to the metric system and how long to take doing it.

Going metric would fulfill urgings by George Washington and Thomas Jefferson nearly 200 years ago, and by

past three years by representatives of 3,000 small, medium and large American companies dealing in products involving measurements; by 600 large importers and exporters; by other high-ranked business executives; by labor and consumer groups and by government officials and academicians.

Some of the executives manned a Metric System Study Advisory Panel for the Department of Commerce. It will be their report that Secretary Stans will take before Congress.

One indication of widespread support for their opinions came in the response to a "Sound Off to the Editor" question on going metric in NATION'S BUSINESS last spring.

Readers overwhelmingly favored the change. "The sooner the better" was the way many put it. Another theme was that conversion is inevitable, so why delay it?

The Commerce Department's metric system advisers heard evidence at scores of meetings across the country. Often they were told that dependence should be on voluntary actions by individuals, companies and associations because the economy's private sector would be so deeply affected by a change-over.

The panel discovered to the surprise of some members that the United States began going metric long ago. The metric system was authorized by Congress in 1866.

The space industry already is metric. Most scientific reports are metric. Fifteen years ago the pharmaceutical industry decided to describe its products in metric units—milligrams and milliliters. The Defense Department requires that much of the nation's ordnance be described in metric units.

furlong and rod, the gallon, quart, pint and gill, can be expected to begin disappearing from industry and commerce, and indeed from the language itself, during the next few years.

They are due to vanish in the process of metrication—a cumbersome word which means "going metric."

Late this summer Secretary of Commerce Maurice H. Stans will go to Capitol Hill and deposit with Congress a voluminous study which in thousands of words and in dozens of charts and graphs will lay out problems and conditions of the

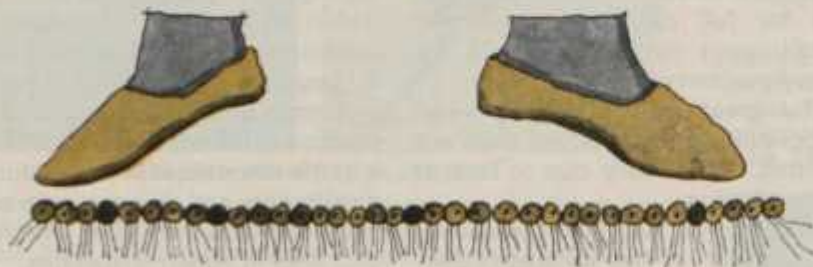
many latter-day metric devotees. It would also align the United States with every other industrial nation in the world.

Every one?

That's correct. All are metric or making the switch.

The only countries not now metric, or officially going that way, are Barbados, Burma, Guyana, Gambia, Jamaica, Liberia, Malawi, Trinidad and Tobago, Sierra Leone, Nigeria—and the United States of America.

The consensus that going metric is inevitable was arrived at during the



The American Society for Testing and Materials, the major private organization for developing standards for industrial materials, now describes most standards in metric as well as other measures. And, American companies with overseas operations use dual dimensioning.

"Dual dimensioning" indicates the way we might convert—initially by listing both measuring units and later phasing out the old system.

Some Americans have asked, "Why go metric? We're doing O. K. as is."

Answers from the pro-metricationists take these lines:

- The United States does \$48 billion a year in export-import business with metric nations. They increasingly demand metric measurements and it is estimated that as much as \$10 billion a year in trade advantages can be expected when we fully metricate.

It has been discovered that the proportion of U. S. exports of most technological products to metric countries has declined in comparison with exports to nonmetric nations.

There are threats of having some items barred from Europe because of the acceleration in internationalization of engineering standards.



ILLUSTRATION: JACK LEYBOWITZ

The Commerce Department says conversion costs are impossible to judge.

Britain's decision several years ago to metricate had an impact in this country. Then, last year, came a Canadian decision to metricate.

The British are further along in metricating than most Americans realize. Litton Industries already packages office supplies in Britain in tens rather than in dozens. Writing paper and envelope sizes are metricated. So are screws and auto speedometers. Brewers are converting from pints and quarts to liters. Soon road signs and milk bottles will go metric.

One reason for metrication that the Commerce Department noted is that the metric system is such a simple one.

Everything is counted in tens or divisibles of 10.

Soon after the metric system was invented in France in 1790 various nations began dropping their own individual systems and adopting it. During this period Presidents Washington and Jefferson recommended dropping the system we inherited from the British during Colonial times.

Basic units of the metric system are the meter (measuring distance), the gram (weight) and the liter (capacity).

From them we go up and down in tens, hundreds and thousands, getting—in the case of the meter—decameters, hectometers and kilometers, and decimeters, centimeters and millimeters. Ten thousand meters are a myriameter; a million are a megameter.

(The meter, by the way, is approximately equal to one ten-millionth of the longitude from one of the Poles to the Equator; it's 39.37 inches. The gram is equal to the weight of one cubic centimeter of water at maximum density, or .035 ounces. The liter is the volume of one cubic decimeter; it's the equivalent of 61.02 cubic inches, .9081 dry quarts or 1.057 liquid quarts.)

Using the metric system is not as difficult as measuring a mile in 5,280 feet, a foot in 12 inches, a yard in three feet, a pound in 16 ounces, a gallon in four quarts, a quart in two pints. . . .

Early in the metrication of Britain, when people were having trouble converting in their minds, a bright government official took a picture of a very sexy girl wearing the slightest of bikinis. He made a poster of the picture, headed it "Think Metric" and distributed it by the thousands as wall decorations and, of course, as educational material for metrication.

By the side of the girl he put her measurements: "914 millimeters, 610 millimeters, 914 millimeters."

The figures, and the girl's figure, stuck in many a Briton's mind. END



- Educators say some \$700 million a year in teachers' time can be saved if school children no longer are required to learn the complicated units of measure we now use. Twenty-five per cent of teaching time in certain grades is devoted to arithmetic involving our more difficult measurements.

- Going metric won't be an inexpensive move, or a fast one. One estimate is that cost will run to \$11 billion and the time required up to 16 years. Other estimates call for much faster conversion and at much less cost.





What are the





answers?



Does union power cause inflation?

Education: Are we getting our money's worth?

How do we achieve a better environment?

Foreign trade: How can we expand it?

Are private retirement income plans being threatened?

Your health care: The great debate, who will benefit and what will it cost?

Should the United States adopt the value-added tax?

Consumerism: What options for business?

Should the federal government share its revenues with state and local governments?

The welfare mess: Will a "guaranteed income" end it?

Take advantage of the opportunity to have these and other major questions of the day put into focus by topmost government, business and professional leaders at the National Chamber's 59th Annual Meeting in Washington, April 25-27.

Plan to be a part of the leadership group of men and women who will leave this annual event inspired and motivated to get things done about problems through voluntary action in communities all across the land.

There is no other meeting like this one.

For More Information

Use the coupon for more information about the National Chamber's 59th Annual Meeting in Washington, April 25-27. Or check with your local or state chamber of commerce, or trade or professional association.

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☐ Please send me a copy of the Preliminary Program for the National Chamber's Annual Meeting, in Washington, April 25-27, 1971, showing the speakers and panel members, and the issues and problems to be discussed.

☐ Also—please send me hotel and ticket reservation forms.

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BUSINESS A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

If environmentalists are successful in forcing a widespread ban on chemical pesticides, scientists fear major damage to crops and forests may be caused by insects.

Among the alternatives being considered is using insect hormones to curb the pests.

Under National Science Foundation grants, scientists are studying the effects

of faulty synthetic hormones in altering the molting cycle and rate of growth of young insects. The goal: sterile miniature adults, or no adults at all.

Dr. Lawrence I. Gilbert, a Northwestern University biologist conducting one study, says "there is as yet no evidence" that the two hormones involved harm vertebrates.

CONSTRUCTION

Along with rapidly rising costs in the construction industry, financial experts see another major threat to sustained housing production in the '70s—federal subsidies that hamper free competition.

The United States Savings and Loan League and the Mortgage Bankers Association of America contend that extended use of direct and mortgage interest subsidies only postpones a confrontation with the problem of spiraling housing costs.

The research staff of the National Association of Mutual Savings Banks says that one out of four housing units started in 1970 was federally subsidized for buyers and renters.

In the first half of the '60s less than 4 per cent of total housing production was subsidized, but the figure climbed to 10 per cent in 1968 and 12 per cent in 1969. This year, 500,000 units, about one third of the predicted total, will be subsidized.

CREDIT AND FINANCE

How do you comply with a "self-executing" law? With care and caution. That's the advice going out to credit bureaus and credit grantors.

The law is the federal Fair Credit Reporting Act that goes into effect on April 25. The Associated Credit Bureaus, Inc., says the law requires few operational changes from past practices, but it is vigorously educating its members.

Members are being cautioned on the necessity of strict compliance to avoid spurring further legislation. As it stands, the Federal Trade Commission administers the law, but Congress elected not to give FTC authority to issue implementing regulations.

In cases where there is conflict with similar state laws, the new act takes precedence. Arizona, California, Massachusetts, New Mexico and New York have similar laws.

FOREIGN TRADE

With protectionist feelings still a strong force in this country, other nations are expected to follow the urging of high U. S. officials and businessmen and take the lead in the drive for freer trade.

Ralf Dahrendorf, Common Market commissioner responsible for external trade, has called on the United States, the United Kingdom and Japan to join with the European Community in such a drive.

A top Nixon Administration official recently told a key business group the time for free trade leadership by other nations is overdue because the U. S. has been the ball carrier since the end of World War II.

Sentiment among many American businessmen and government leaders is that the other big traders should take the initiative, since they stand to gain as much as the United States would from freer trade.

HUMAN RESOURCES

Management and labor head for a showdown in New York State on unemployment benefits to strikers.

Such benefits, whose cost is borne by employers, were a significant factor in the 100-day General Electric strike in 1969-70.

This year, business-supported bills to repeal a 1941 unemployment benefit law come up again. (Only other state where such bene-

fits are bestowed on strikers is Rhode Island.)

Now, after being on strike for seven weeks, New York workers can draw tax-free benefits for 39 weeks.

The proposed bills would deny benefits to strikers during the entire period of unemployment caused by their walking off their jobs; benefits would be paid from the beginning to affected nonstrikers.

MANUFACTURING

The major appliance industry expects to make it 12 in a row. After 11 record-breaking sales years, a 7 per cent gain is seen for the industry in 1971 as home construction and consumer spending rise.

The Association of Home Appliance Manufacturers reports that 26.7 million major appliance units were sold in 1970, the largest number in history. This included 5.9 million air-conditioners; 5.3 million refrig-

erators; 4.1 million washers; three million dryers; 2.3 million ranges; 2.1 million dishwashers and two million garbage disposers.

The Edison Electric Institute says that as of 1969, more than 60 million families had refrigerators, television sets and radios, and over 50 million owned washers, toasters, vacuum cleaners, steam irons, coffee makers and mixers. In all, it says, U. S. families had about 800 million major appliances.

MARKETING

Mirror manufacturers see a \$175 million market this year—up from approximately \$160 million in 1970—with an increased customer demand for luxury mirrors.

These are mirrors carrying the "float" label, which the National Association of Mirror Manufacturers says indicates top quality. In making them, a layer of molten glass is poured on a foundation of molten lead, producing absolutely parallel sides.

Some experts predict that the process, a British development soon will become a primary method of making plate glass, which is a big item in building construction.

Some 25 companies manufacture 85 per cent of the mirrors produced in the United States. They conservatively estimate an industry growth of 6 per cent annually. But with an anticipated construction boom, they hope for a 10 per cent growth.

NATURAL RESOURCES

Secondary production methods to drain the last drop from oil wells may help reduce reliance of some U. S. refiners on overseas oil. Two methods involve use of fire and water.

In "fireflooding," the heat from underground fires forces trapped hydrocarbons to flow to a producing area of a well. The process requires compressors above ground to feed air to the blaze. Sun Oil Co., for example, has two such operations under way in Texas and Louisiana.

The other technique is "waterflooding."

In a West Texas field, oilmen not only are putting water in wells, they plan to inject carbon dioxide, too.

The Interior Department's Bureau of Mines says that on the average, secondary methods—where applicable—double a well's production. Some experts estimate that only 50 per cent of the oil is recovered from most fields. If it were possible to apply secondary techniques to all U. S. wells, they say, we would have the equivalent of another Alaskan North Slope.

TRANSPORTATION

Full Congressional funding for the new maritime program and stepped up spending to upgrade the Navy would mean an annual \$3.76 billion program for the shipbuilding industry.

The Shipbuilders Council of America gives this estimate as the high side figure for the 1971-1976 period. The low side would be \$2.42 billion. Merchant ship construction, repair and conversion estimates range from

\$895 million to \$1.77 billion; naval ship construction, conversion and repair from \$1.43 billion to \$1.83 billion; and other shipwork, such as oil drilling rigs, from \$95 million to \$160 million.

Encouraging news for the industry comes from Council President Edwin M. Hood, who says shipbuilding prices have been increasing more rapidly abroad than in the United States.

EDITORIAL

THEY WON'T JUST GO AWAY

For more than a half century the scenic beauty of Washington has been marred by what people here call "tempos."

They're unsightly "temporary" buildings put up in wartime to house the agencies war spawned. Expanding government has kept them full.

Now we're getting rid of them.

Over the same half century we've accumulated many laws through which the federal government attempted to solve what seemed like great problems at the time, but which we now recognize as temporary. Many laws are as outdated as the old "tempo" buildings.

Congress should get rid of them, too.

More importantly, Congress should be very careful not to try to solve today's temporary problems with jerry-built legislative structures.

It's awfully hard to get rid of them.



Evinrude announces the "power-tuned" 100- More guts from the word go.

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deliver "free horsepower" — without making a lot of noise about it.

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